22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Victory Securities (Holdings) Company Limited

Pulsar Capital Limited

Dear Sirs,

We report on the historical financial information of Victory Securities (Holdings) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-60, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2016 and 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016 and 2017 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-60 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial

Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and 2017, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of the report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
[●]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars (HK$) and all values are rounded to the nearest dollar except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
Revenue	5	30,234,835	56,433,162
Other income and gains/(losses), net	6	3,189,133	7,912,341
		33,423,968	64,345,503
Commission expenses		(3,696,937)	(7,027,489)
Depreciation	15	(1,757,107)	(2,113,746)
Staff costs	7	(10,057,423)	(15,336,578)
Other operating expenses		(7,842,403)	(17,068,586)
Finance costs	8	(1,207,427)	(1,570,457)
Profit before tax	9	8,862,671	21,228,647
Income tax expense	10	(1,768,473)	(3,575,564)
Profit for the year		7,094,198	17,653,083
Attributable to the Owners of the parent		7,094,198	17,653,083

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2016**	**2017**
		HK$	*HK$*
PROFIT FOR THE YEAR		7,094,198	17,653,083
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of land and buildings held for own use			
— gross gain		12,719,048	4,641,365
— income tax effect	27	(2,098,643)	(765,825)
Income tax effect on disposal of land and building held for own use	27	—	719,577
Net of tax		10,620,405	4,595,117
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		17,714,603	22,248,200
Attributable to			
Owners of the parent		17,714,603	22,248,200

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
NON-CURRENT ASSETS			
Property, plant and equipment	15	58,745,960	50,698,601
Investment properties	16	20,200,000	10,200,000
Intangible asset	17	1	1
Other assets	18	475,000	475,000
Total non-current assets		79,420,961	61,373,602
CURRENT ASSETS			
Trade receivables	19	136,692,766	324,145,933
Financial assets at fair value through profit or loss	20	9,308,105	12,970,426
Prepayment and other receivables	21	1,938,369	3,840,033
Tax recoverable		328,655	—
Cash and cash equivalents	22	8,194,738	8,999,289
		156,462,633	349,955,681
CURRENT LIABILITIES			
Trade payables	23	31,887,888	203,615,931
Other payables and accruals	24	3,069,010	5,680,870
Provisions	25	1,762,807	1,645,138
Bank borrowings	26	57,000,000	47,500,000
Tax payable		—	3,068,427
Total current liabilities		93,719,705	261,510,366
NET CURRENT ASSETS		62,742,928	88,445,315
TOTAL ASSETS LESS CURRENT LIABILITIES		142,163,889	149,818,917

		As at 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	6,449,366	6,356,194
Total non-current liabilities		6,449,366	6,356,194
Net assets		135,714,523	143,462,723
EQUITY			
Share capital	28	193	193
Reserves	29	135,714,330	143,462,530
TOTAL EQUITY		135,714,523	143,462,723

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent				
	Notes	**Share capital**	**Property revaluation reserve**	**Merger reserve** *(Note 29)*	**Retained profits**	**Total**
		HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2016						
At 1 January 2016		—	19,220,615	100,000,000	19,579,112	138,799,727
Profit for the year		—	—	—	7,094,198	7,094,198
Other comprehensive income for the year:						
Change in fair value of land and buildings, net of tax		—	10,620,405	—	—	10,620,405
Total comprehensive income for the year		—	10,620,405	—	7,094,198	17,714,603
Interim dividends	13	—	—	—	(800,000)	(800,000)
Special dividend	13	—	—	—	(20,000,000)	(20,000,000)
Issue of shares on incorporation	28	193	—	—	—	193
At 31 December 2016		193	29,841,020*	100,000,000*	5,873,310*	135,714,523
Year ended 31 December 2017						
At 1 January 2017		193	29,841,020	100,000,000	5,873,310	135,714,523
Profit for the year		—	—	—	17,653,083	17,653,083
Other comprehensive income for the year:						
Change in fair value of land and buildings, net of tax		—	3,875,540	—	—	3,875,540
Income tax effect on disposal of land and building held for own use	27	—	719,577	—	—	719,577
Total comprehensive income for the year		—	4,595,117	—	17,653,083	22,248,200
Transfer of property revaluation reserve upon disposal of property		—	(4,361,079)	—	4,361,079	—
Interim dividend	13	—	—	—	(10,500,000)	(10,500,000)
Special dividend	13	—	—	—	(4,000,000)	(4,000,000)
At 31 December 2017		193	30,075,058*	100,000,000*	13,387,472*	143,462,723

* These reserve accounts comprise the consolidated reserves of HK$135,714,330 and HK$143,462,530 as at 31 December 2016 and 2017 respectively on the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,862,671	21,228,647
Adjustments for:			
Depreciation	15	1,757,107	2,113,746
Dividend income from listed investments	6	(253,565)	(253,865)
Interest expense on bank loans and overdrafts	8	1,157,106	1,495,882
Fair value losses/(gains) on financial assets at fair value through profit or loss	6	765,528	(2,564,973)
Revaluation gains on investment properties	6	(1,300,000)	(4,500,000)
(Gain)/loss on disposal of items of property, plant and equipment	6	(550)	796
Provision/(reversal of provision) for loss on guaranteed contracts with customers	9	384,802	(151,843)
		11,373,099	17,368,390
Decrease in other assets		175,000	—
Increase in trade receivables		(21,528,424)	(187,453,167)
Decrease/(increase) in prepayment and other receivables		26,056,430	(1,901,664)
Increase in trade payables		25,013,500	171,728,043
(Decrease)/increase in other payables and accruals		(883,963)	2,611,860
(Decrease)/increase in provisions		(36,152)	34,174
Cash generated from operations		40,169,490	2,387,636
Hong Kong profits tax paid		(4,207,725)	(317,902)
Net cash flows from operating activities		35,961,765	2,069,734

	Notes	Year ended 31 December 2016	2017
		HK$	HK$
Net cash flows from operating activities		35,961,765	2,069,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(120,426)	(425,818)
Purchases of financial assets at fair value through profit or loss		(38,002)	(6,239,274)
Proceeds from disposal of financial assets at fair value through profit or loss		1,409	5,371,972
Proceeds from disposal of available-for-sale financial assets		418,000	—
Proceeds from disposal of property, plant and equipment		550	11,000,000
Proceeds from disposal of an investment property		—	14,500,000
Dividend received		143,567	23,819
Net cash flows from investing activities		405,098	24,230,699
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1,157,106)	(1,495,882)
New bank borrowings		368,200,000	1,503,980,695
Repayment of bank borrowings		(376,200,000)	(1,513,480,695)
Repayment of subordinated loan		(3,000,000)	—
Dividends paid		(20,800,000)	(14,500,000)
Net cash flows used in financing activities		(32,957,106)	(25,495,882)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,409,757	804,551
Cash and cash equivalents at beginning of year		4,784,981	8,194,738
CASH AND CASH EQUIVALENTS AT END OF YEAR		8,194,738	8,999,289
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	8,194,738	8,999,289
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		6,442,614	7,366,787
Interest paid		50,321	74,575

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
NON-CURRENT ASSETS			
Investment in a subsidiary	30	386,175	386,175
CURRENT ASSETS			
Other receivables	21	193	193
Bank balances	22	—	1,325
		193	1,518
CURRENT LIABILITIES			
Due to subsidiaries	31	386,175	387,500
NET CURRENT LIABILITIES		(385,982)	(385,982)
Net assets		193	193
EQUITY			
Share capital	28	193	193
TOTAL EQUITY		193	193

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Victory Securities (Holdings) Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the businesses of securities dealing, securities margin financing and asset management in Hong Kong.

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

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

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

As at the end of the Relevant Periods, 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 and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited *(Note a)*	British Virgin Islands/ Hong Kong 4 September 2015	US$50,000	100%	—	Investment holding
Victory Securities Company Limited *(Note b)*	Hong Kong 14 January 1993	HK$100,000,000	—	100%	Securities dealings, securities margin financing and asset management
Victory (Nominees) Limited *(Note c)*	Hong Kong 30 November 2009	HK$1	—	100%	Dormant
Victory VC Asset Management Company Limited *(Note d)*	Hong Kong 19 August 2015	HK$1,000,000	—	100%	Dormant

Notes:

a. No audited financial statements have been prepared for this entity since the date of its incorporation as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

b. The statutory financial statements of the entity for the years ended 31 December 2016 and 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong.

c. The statutory financial statements of the entity for the year ended 31 December 2016 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") was audited by Ernst & Young, Hong Kong. No audited financial statements have been prepared for the entity for the year ended 31 December 2017, as the entity was dormant in 2017 and was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

d. No audited financial statements have been prepared for the entity for the years ended 31 December 2016 and 2017, as the entity was dormant during those years and was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document, the Company became the holding company of the companies now comprising the Group on 25 May 2017. The Reorganisation only involved insertion of new holding companies at the top of an existing holding company (i.e., Victory Securities Company Limited) and has not resulted in any change of the economic substance. For the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2016 and 2017 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties, land and buildings held for own use classified as property, plant and equipment and financial assets at fair value through profit or loss which have been measured at fair value.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [2]
Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*First-Time Adoption of Hong Kong Financial Reporting Standards*[1]
Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*Investments in Associates and Joint Ventures*[1]
Amendments to HKFRS 3 included in Annual Improvements to HKFRSs 2015-2017 Cycle	*Business Combinations*[2]
Amendments to HKFRS 11 included in Annual Improvements to HKFRSs 2015-2017 Cycle	*Joint Arrangements*[2]
Amendments to HKAS 12 included in Annual Improvements to HKFRSs 2015-2017 Cycle	*Income Taxes*[2]
Amendments to HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle	*Borrowing Costs*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts related to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The adoption of HKFRS 9 will not have a significant impact on the classification and measurement of its financial assets. Financial assets currently held at fair value through profit or loss will continue to be measured at fair value through profit or loss.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables and other assets within the next twelve months. The Group has determined that there is no significant impact upon initial adoption of the standard.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018. The Group has determined that there is no significant financial impact upon initial adoption of the standard.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes tworecognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 36 to the Historical Financial Information, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,040,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. The combination of straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the lease liabilities will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the performance of the Group comparing with HKAS 17 currently adopted by the Group. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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

Fair value measurement

The Group measures its investment properties, land and buildings held for own use and financial assets at fair value through profit or loss at fair value. 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

Leasehold land and building held for own use under finance leases	The shorter of 50 years and the unexpired term of the lease
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 the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

Intangible assets (other than goodwill)

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

Leases

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. 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 assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and other payables and accruals, bank borrowings and subordinated loan.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the 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, 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

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

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

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

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

Revenue recognition

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

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

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

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

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

(e) Asset management, placing and handling fee income is recognised when the relevant services are rendered.

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

Other employee benefits

Pension scheme

The Group operates two defined contribution retirement benefit schemes: Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and occupational retirement scheme ("ORSO Scheme") under the Occupational Retirement Scheme Ordinance for its employees in Hong Kong. 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 respective schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees.

Dividends

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

Interim and special dividends are simultaneously proposed and declared by the directors. Consequently, interim and special dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is 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.

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 Historical Financial Information as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

3. SIGNIFICANT ACCOUNTING AND ESTIMATES

The preparation of the Group's Historical Financial Information 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 each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

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

(b) Impairment of trade receivables

The Group reviews its trade receivables to assess impairment at least at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the trade receivable before the decrease can be identified with an individual trade receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 December 2016

	Securities broking services	Financing services	Assets management services	Total
	HK$	*HK$*	*HK$*	*HK$*
Segment revenue	23,832,126	5,685,918	716,791	30,234,835
Segment results	15,247,539	4,478,491	(1,566,899)	18,159,131
Other income and gains/(losses), net				3,189,133
Unallocated expenses				(12,485,593)
Profit before tax				8,862,671
Other segment information:				
Interest income from clients	—	5,685,918	—	5,685,918
Finance costs	—	(1,207,427)	—	(1,207,427)
Commission expenses	(3,696,937)	—	—	(3,696,937)
Provision for loss on guaranteed contracts with customers	—	—	(384,802)	(384,802)
Depreciation	(439,222)	—	—	(439,222)
Unallocated				(1,317,885)
				(1,757,107)

Year ended 31 December 2017

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

Geographical information

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

Information about major customers

Revenue from major customers during the Relevant Periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Customer A	4,437,211	N/A*

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

No other single customers contributed 10% or more to the Group's revenue during the Relevant Periods.

5. REVENUE

Revenue represents commission and brokerage income, placing commission income, handling fee income, interest income and asset management fee as follows:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Commission and brokerage income	20,155,562	35,405,745
Placing commission income	—	4,759,807
Handling fee income	3,656,968	6,672,994
Interest income from:		
– clients	5,685,918	7,267,365
– authorised institutions	14,479	91,670
– others	5,117	7,752
Asset management fee	716,791	2,227,829
	30,234,835	56,433,162

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

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

Other income for the Relevant Periods are as follows:

	Note	Year ended 31 December	
		2016	**2017**
		HK$	*HK$*
Other Income			
Gross rental income		531,000	531,000
Consultancy fee income		986,674	—
Other interest income		737,100	—
Sundry income		145,772	63,299
		2,400,546	594,299
Trading (losses)/gains, net			
Fair value (losses)/gains on financial assets at fair value through profit or loss		(765,528)	2,564,973
Dividend income from listed investments		253,565	253,865
		(511,963)	2,818,838
Other gains/(losses), net			
Revaluation gains on investment properties	16	1,300,000	4,500,000
Gain/(loss) on disposal of items of property, plant and equipment		550	(796)
		1,300,550	4,499,204
		3,189,133	7,912,341

7. STAFF COSTS

Staff costs (including directors' remuneration (note 11)) for the Relevant Periods are as follows:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Salaries, allowances and benefits in kind	9,528,441	14,746,868
Contributions to MPF and ORSO schemes	528,982	589,710
	10,057,423	15,336,578

8. FINANCE COSTS

Finance costs for the Relevant Periods are as follows:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Interest expense on bank loans and overdrafts	1,157,106	1,495,882
Interest expense on client payables with no fixed repayment terms	50,321	74,575
Total interest expense on financial liabilities not at fair value through profit or loss	1,207,427	1,570,457

9. PROFIT BEFORE TAX

The Group's profit before tax for the Relevant Periods is arrived at after charging/(crediting) the following items:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Auditor's remuneration	295,000	302,000
Exchange and clearing fee	1,132,837	3,898,204
Information services expenses	1,720,993	2,082,913
Foreign exchange gain, net	(19,095)	(442,579)
Direct operating expenses arising from rental-earning investment properties	18,013	12,686
Provision/(reversal of provision) for loss on guaranteed contracts with customers	384,802	(151,843)
Operating lease payments in respect of office premises	196,524	526,719
[REDACTED]	**[REDACTED]**	**[REDACTED]**

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the Relevant Periods on the estimated assessable profits arising in Hong Kong.

		Year ended 31 December	
	Note	**2016**	**2017**
		HK$	*HK$*
Current tax			
Hong Kong profits tax		1,656,823	3,950,895
Overprovision for profits tax in prior years		(5,961)	(235,911)
		1,650,862	3,714,984
Deferred tax	27	117,611	(139,420)
Total tax charge for the year		1,768,473	3,575,564

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

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Profit before tax	8,862,671	21,228,647
Tax at the statutory tax rate of 16.5%	1,462,341	3,502,727
Expenses not deductible for tax	480,973	1,753,512
Income not subject to tax	(251,596)	(1,444,666)
Over provision for profits tax in prior years	(5,961)	(235,911)
Others	82,716	(98)
Tax charge for the year	1,768,473	3,575,564
Effective tax rate	20.0%	16.8%

11. DIRECTORS' REMUNERATION

Kou Kuen, Chan Ying Kit and Chiu Che Leung Stephen were appointed as directors of the Company on 22 August 2016. Chan Pui Chuen was appointed as an executive director of the Company on 5 September 2017.

The directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors for the Relevant Periods as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Fee	643,000	360,000
Other emoluments		
Salaries, allowances and benefits in kind	820,728	1,998,066
Contributions to retirement schemes	71,400	83,653
Commission expenses	22,139	1,261,673
	1,557,267	3,703,392

(i) Executive and non-executive directors

	Director's fees	Salaries and other benefits	Commission	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
For the year ended 31 December 2016					
Executive Directors:					
Kou Kuen	293,000	379,728	5,386	71,400	749,514
Chiu Che Leung Stephen *	110,000	441,000	16,753	—	567,753
	403,000	820,728	22,139	71,400	1,317,267
Non-executive Director:					
Chan Ying Kit	240,000	—	—	—	240,000
	643,000	820,728	22,139	71,400	1,557,267

	Director's fees	Salaries and other benefits	Commission	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
For the year ended 31 December 2017					
Executive Directors:					
Kou Kuen	120,000	906,593	1,246,583	78,000	2,351,176
Chiu Che Leung Stephen *	120,000	818,870	14,056	—	952,926
Chan Pui Chuen **	—	272,603	1,034	5,653	279,290
	240,000	1,998,066	1,261,673	83,653	3,583,392
Non-executive Director:					
Chan Ying Kit	120,000	—	—	—	120,000
	360,000	1,998,066	1,261,673	83,653	3,703,392

* Chiu Che Leung Stephen was appointed as an executive director of one of the subsidiaries of the Company on 28 January 2016.

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

During the Relevant Periods, there was no arrangement under which a director waived or agreed to waive any remuneration.

During the Relevant Periods, 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.

(ii) No independent non-executive director was appointed and there were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

12. FIVE HIGHEST PAID EMPLOYEES

During the Relevant Periods, the five highest paid employees included two directors of the then holding company of the Group for the year ended 31 December 2016 and 2017, details of whose remuneration are set out in note 11 above.

Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive for the Relevant Periods, are as follows:

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Salaries, allowances and benefits in kind	1,259,926	1,970,996
Pension scheme contributions	72,638	105,242
	1,332,564	2,076,238

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

	Year ended 31 December	
	2016	**2017**
Nil to HK$1,000,000	3	3

13. DIVIDENDS

	Year ended 31 December	
	2016	**2017**
	HK$	*HK$*
Interim dividends	800,000	10,500,000
Special dividend	20,000,000	4,000,000
	20,800,000	14,500,000

The interim dividends in 2016 and 2017 and special dividend in 2016 have been declared and paid by Victory Securities Company Limited to its shareholders for the Relevant Period prior to the Reorganisation. The special dividend in 2017 has been declared and paid by the Company to its shareholders for the year 2017 after the Reorganisation.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard the purpose of this report.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use	Motor vehicles	Office equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016							
At 1 January 2016:							
Cost or valuation	46,600,000	370,000	905,226	851,383	876,003	1,599,052	51,201,664
Accumulated depreciation	—	(30,833)	(844,244)	(416,766)	(783,033)	(1,463,195)	(3,538,071)
Net carrying amount	46,600,000	339,167	60,982	434,617	92,970	135,857	47,663,593
At 1 January 2016, net of accumulated depreciation	46,600,000	339,167	60,982	434,617	92,970	135,857	47,663,593
Additions	—	—	33,951	37,933	48,542	—	120,426
Depreciation provided during the year	(1,419,048)	(92,500)	(23,481)	(138,727)	(51,370)	(31,981)	(1,757,107)
Gain on revaluation	12,719,048	—	—	—	—	—	12,719,048
At 31 December 2016, net of accumulated depreciation	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960
At 31 December 2016:							
Cost or valuation	57,900,000	370,000	939,177	850,816	924,545	1,599,052	62,583,590
Accumulated depreciation	—	(123,333)	(867,725)	(516,993)	(834,403)	(1,495,176)	(3,837,630)
Net carrying amount	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960

	Land and buildings held for own use *HK$*	Motor vehicles *HK$*	Office equipment *HK$*	Computer equipment *HK$*	Furniture and fixtures *HK$*	Leasehold improvements *HK$*	Total *HK$*
31 December 2017							
At 1 January 2017:							
Cost or valuation	57,900,000	370,000	939,177	850,816	924,545	1,599,052	62,583,590
Accumulated depreciation	—	(123,333)	(867,725)	(516,993)	(834,403)	(1,495,176)	(3,837,630)
Net carrying amount	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960
At 1 January 2017, net of accumulated depreciation	57,900,000	246,667	71,452	333,823	90,142	103,876	58,745,960
Additions	—	—	—	385,569	2,749	37,500	425,818
Disposals	(11,000,000)	—	(796)	—	—	—	(11,000,796)
Depreciation provided during the year	(1,741,365)	(92,499)	(20,892)	(161,954)	(35,315)	(61,721)	(2,113,746)
Gain on revaluation	4,641,365	—	—	—	—	—	4,641,365
At 31 December 2017, net of accumulated depreciation	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601
At 31 December 2017:							
Cost or valuation	49,800,000	370,000	938,381	1,236,385	927,294	1,636,552	54,908,612
Accumulated depreciation	—	(215,832)	(888,617)	(678,947)	(869,718)	(1,556,897)	(4,210,011)
Net carrying amount	49,800,000	154,168	49,764	557,438	57,576	79,655	50,698,601

The leasehold land and buildings of the Group are held in Hong Kong under finance lease consisting of a car park and a commercial property (2016: a car park, a residential property and a commercial property) and 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$15,955,753 and HK$12,281,531 as at 31 December 2016 and 2017, respectively.

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

As at 31 December 2016 and 2017, the fair value of the car park with carrying amount of HK$1,900,000 and HK$2,000,000, respectively was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments. Apart from that, the fair values of all other properties were determined by using a market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis. As at the date of the revaluation on 31 December 2016 and 2017, the fair values of these properties are based on the valuations performed by C S Surveyors Limited (a member of the Hong Kong Institute of Surveyors), an independent professionally qualified valuer. The address of C S Surveyors Limited is 1/F, Kimley Commercial Building, 142-146 Queen's Road Central, Hong Kong.

Revaluation surplus of HK$12,719,048 and HK$4,641,365 was recognised in the property revaluation reserve in other comprehensive income for the years ended 2016 and 2017, respectively.

At 31 December 2016 and 2017, the Group's land and buildings with a net carrying amount of HK$56,000,000 and HK$47,800,000, respectively, were pledged to secure general banking facilities granted to the Group, as further detailed in note 26 to the Historical Financial Information.

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 leasehold land and buildings:

	Fair value measurements categorised into			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Fair value measurement for:	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016				
- Commercial - Hong Kong	—	—	45,000,000	45,000,000
- Residential - Hong Kong	—	—	11,000,000	11,000,000
- Car park - Hong Kong	—	1,900,000	—	1,900,000
31 December 2017				
- Commercial - Hong Kong	—	—	47,800,000	47,800,000
- Car park - Hong Kong	—	2,000,000	—	2,000,000

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Relevant Periods.

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

	Commercial property	**Residential property**
	HK$	*HK$*
Carrying amount at 1 January 2016	35,000,000	9,700,000
Depreciation for the year	(1,111,111)	(307,937)
Gain from fair value adjustment recognised in other comprehensive income	11,111,111	1,607,937
Carrying amount at 31 December 2016 and 1 January 2017	45,000,000	11,000,000
Depreciation for the year	(1,529,370)	(180,328)
Gain from fair value adjustment recognised in other comprehensive income	4,329,370	180,328
Disposal of the residential property	—	(11,000,000)
Carrying amount at 31 December 2017	47,800,000	—

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

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

	31 December	
	2016	**2017**
	HK$	*HK$*
Price per square foot (range)	11,640 to 17,340	18,420

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

16. INVESTMENT PROPERTIES

	31 December	
	2016	**2017**
	HK$	*HK$*
Non-current assets		
At beginning of the year	18,900,000	20,200,000
Revaluation gains (note 6)	1,300,000	4,500,000
Disposal	—	(14,500,000)
At end of year	20,200,000	10,200,000

The Group's investment properties consist of a residential property (2016: a residential and a commercial property) in Hong Kong.

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

At the end of each of the Relevant Periods, the directors of the Company engaged an external valuer for the valuations of the Group's properties. 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.

Investment properties were revalued on 31 December 2016 and 2017 based on a valuation performed by C S Surveyors Limited, an independent professionally qualified valuer, at HK$20,200,000 and HK$10,200,000, respectively.

The investment properties are leased to third parties under operating leases, further details of which are included in note 36(a) to the Historical Financial Information.

At 31 December 2016 and 2017, the Group's investment properties with a total carrying amount of HK$20,200,000 and HK$10,200,000, respectively, were pledged to secure general banking facilities granted to the Group as further detailed in note 26 to the Historical Financial Information.

Fair value hierarchy

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

	Fair value measurements categorised into			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Fair value measurement for:	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016				
- Commercial - Hong Kong	—	—	11,000,000	11,000,000
- Residential - Hong Kong	—	—	9,200,000	9,200,000
31 December 2017				
- Residential - Hong Kong	—	—	10,200,000	10,200,000

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Relevant Periods.

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

	Commercial property	**Residential property**
	HK$	*HK$*
Carrying amount at 1 January 2016	10,900,000	8,000,000
Net gain from fair value adjustment recognised as other gains in profit or loss	100,000	1,200,000
Carrying amount at 31 December 2016 and 1 January 2017	11,000,000	9,200,000
Net gain from fair value adjustment recognised as other gains in profit or loss	3,500,000	1,000,000
Disposal of the commercial property	(14,500,000)	—
Carrying amount at 31 December 2017	—	10,200,000

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

Below is a summary of the significant unobservable inputs to the valuation of investment properties:

	31 December	
	2016	**2017**
	HK$	*HK$*
Price per square foot (range)	13,370 to 13,580	14,826

A significant increase in the price per square foot in isolation would result in a significant increase in the fair value of the investment properties.

17. INTANGIBLE ASSET

	31 December 2016	31 December 2017
	HK$	*HK$*
Trading right		
– Cost and carrying amount	1	1

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

18. OTHER ASSETS

	31 December 2016	31 December 2017
	HK$	*HK$*
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– guarantee fund deposit ("Guarantee Fund")	100,000	100,000
– refundable 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	75,000
	475,000	475,000

19. TRADE RECEIVABLES

	Notes	31 December 2016	31 December 2017
		HK$	*HK$*
Margin client receivables	a	80,090,708	96,225,363
Cash client receivables	b	22,116,055	19,903,965
Clearing house receivables	b	11,867,207	7,369,383
Broker receivables	c	22,618,796	200,647,222
Total trade receivables		136,692,766	324,145,933

Notes:

(a) *Margin client receivables*

At 31 December 2016 and 2017, the Group held securities (excluding bonds) with an aggregate fair value of HK$251,720,056 and HK$342,154,670, respectively, and bonds with an aggregate fair value of HK$30,910 and HK$7,168,509, respectively as collaterals over net margin client receivables. All margin client receivables are repayable on demand and bear interest at commercial rates. Management has assessed the market value of the pledged securities of each individual client at the end of each reporting period and considered that no impairment allowance is necessary. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed 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. They are generally included in the "neither past due nor impaired" category.

(b) *Cash client and clearing house receivables*

The settlement terms of receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are within two days after trade date.

The ageing analysis of trade receivables arising from cash clients and clearing house at the end of each of the Relevant Periods are as follows:

	31 December	
	2016	**2017**
	HK$	*HK$*
Cash client receivables		
Neither past due nor impaired	21,589,019	18,475,868
Past due but not impaired		
– Less than 1 month past due	—	1,113,490
– Over 1 month but less than 3 months	9,419	945
– Over 3 month but less than 12 months	39,393	3,980
– Over 12 month but less than 2 years	36,850	6,283
– Over 2 years	441,374	303,399
	22,116,055	19,903,965
Clearing house receivables		
Neither past due nor impaired	11,867,207	7,369,383

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

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

(c) Broker receivables

Broker receivables are arising from the business of dealing in securities related to unsettled trades and balances placed with the brokers. The broker receivables are neither past due nor impaired and are repayable on the settlement date of their respective trade dates, normally two or three business dates after the respective trade date. The ageing of broker receivables based on the trade date are within one month.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2016	**2017**
	HK$	*HK$*
Investments designated at fair value through profit or loss:		
Listed equity securities — Hong Kong	9,308,105	12,970,426
	9,308,105	12,970,426

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

As at 31 December 2016 and 2017, securities with carrying value of HK$8,963,243 and HK$10,567,746, respectively, were pledged to secure banking facilities granted to the Group, as further detailed in note 26 to the Historical Financial Information.

21. PREPAYMENT AND OTHER RECEIVABLES

		31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
Group			
Prepayment, other debtors and deposits		1,114,730	1,863,723
[REDACTED]		**[REDACTED]**	**[REDACTED]**
Loans to employees	a	798,946	—
Due from a related company	b & 37	—	1,086
Due from directors	c & 37	24,500	—
Due from holding company	d	193	45,058
		[REDACTED]	**[REDACTED]**
Company			
Due from holding company	d	193	193

At the end of each of the Relevant Periods, none of the other receivables were impaired.

Notes:

(a) The loans to employees are interest-free, unsecured and have no fixed terms of repayment.

(b) Particulars of amount due from related companies are as follows:

	1 January 2016	**Maximum amount outstanding during the year**	**31 December 2016 and 1 January 2017**	**Maximum amount outstanding during the year**	**31 December 2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Related companies:					
Victory Financial Group Company Limited ("VFGCL")*	24,009,189	36,909,207	—	18,824	—
Victory Insurance Consultants Company Limited*	14,844	20,997	—	10,074	1,086
Total	24,024,033	36,930,204	—	28,898	1,086

* Kou Kuen is the common shareholder and has significant influence over the Group and the related companies during the Relevant Periods.

The amount due from VFGCL is non-trade in nature, unsecured and has no fixed terms of repayment. Pursuant to an agreement between the Group and VFGCL, effective from 1 January 2016 to 31 December 2016, the amount is interest bearing at an average effective rate of 3.5% per annum, which was mutually agreed.

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

(c) Particulars of amounts due from directors are as follows:

	1 January 2016	**Maximum amount outstanding during the year**	**31 December 2016 and 1 January 2017**	**Maximum amount outstanding during the year**	**31 December 2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Name:					
Kou Kuen	1,054,606	1,054,606	24,500	24,500	—
Chan Ying Kit	59,949	59,949	—	—	—
Total	1,114,555	1,114,555	24,500	24,500	—

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

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

22. CASH AND CASH EQUIVALENTS

	31 December	
	2016	**2017**
	HK$	*HK$*
Group		
Bank balances	8,188,933	8,993,623
Cash in hand	5,805	5,666
Total cash and cash equivalents	8,194,738	8,999,289
Denominated in :		
Hong Kong dollars	4,496,759	3,166,017
United States dollars	3,263,315	4,528,620
Renminbi	398,789	1,260,726
Others	35,875	43,926
	8,194,738	8,999,289
Company		
Bank balances	—	1,325

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business. At 31 December 2016 and 2017, client money maintained in segregated accounts not otherwise dealt with in the Historical Financial Information amounted to HK$105,896,921 and HK$305,186,305, respectively.

23. TRADE PAYABLES

	31 December	
	2016	**2017**
	HK$	*HK$*
Margin and cash client payables	26,127,425	202,025,329
Due to clearing house	5,760,463	1,590,602
	31,887,888	203,615,931

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

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

24. OTHER PAYABLES AND ACCRUALS

		31 December	
		2016	**2017**
	Notes	*HK$*	*HK$*
Other payables and accruals	a	2,903,880	5,680,870
Due to related companies	b & 37	45,130	—
Due to a director	b & 37	120,000	—
		3,069,010	5,680,870

Notes:

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

(b) The amounts due to related companies and a director are interest-free, unsecured and have no fixed terms of repayment.

25. PROVISIONS

	Provision for loss on guaranteed contracts with customers	**Other provisions**	**Total**
	HK$	*HK$*	*HK$*
At 1 January 2016	1,234,726	179,431	1,414,157
Additional provision	384,802	39,719	424,521
Amounts utilised during the year	(75,871)	—	(75,871)
At 31 December 2016 and 1 January 2017	1,543,657	219,150	1,762,807
(Reversal of)/ additional provision	(151,843)	34,174	(117,669)
At 31 December 2017	1,391,814	253,324	1,645,138

The Group entered into loss protection discretionary account management agreements with 3 customers for asset management services provided during the years ended 31 December 2016 and 2017. The amount of the provision for loss on guaranteed contracts with customers is estimated based on the fair value of the portfolio of assets held at the end of each of the Relevant Periods. With 1 of the contracts expired during year 2017, the remaining guaranteed contracts are expected to be expired by year 2018.

26. BANK BORROWINGS

	31 December	
	2016	**2017**
	HK$	*HK$*
Bank loans - secured	57,000,000	47,500,000

At the end of each of the Relevant Periods, the bank loans were secured by margin clients' securities and securities held by the Group amounting to HK$79,902,342 and HK$82,075,884 and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to HK$76,200,000 and HK$58,000,000 as at 31 December 2016 and 2017, respectively.

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

The effective interest rates for bank loans are floating ranging from 2.39% to 2.87% and 2.18% to 3.57% per annum for the years ended 31 December 2016 and 2017, respectively.

One of the directors of the Company has given personal guarantees to banks to obtain the bank loans granted to the Group.

27. DEFERRED TAX LIABILITIES

Deferred tax is calculated in full on temporary differences under the liability method using the statutory tax rate of 16.5% for the Relevant Periods. The movements on the deferred tax liabilities for the Relevant Periods are as follows:

2016

	Accelerated tax depreciation	Revaluation of properties	Total
	HK$	*HK$*	*HK$*
At 1 January 2016	435,027	3,798,085	4,233,112
Deferred tax charged to the statement of profit or loss during the year (note 10)	117,611	—	117,611
Deferred tax recognised in other comprehensive income	—	2,098,643	2,098,643
At 31 December 2016	552,638	5,896,728	6,449,366

2017

	Accelerated tax depreciation	Revaluation of properties	Total
	HK$	*HK$*	*HK$*
At 1 January 2017	552,638	5,896,728	6,449,366
Deferred tax credited to the statement of profit or loss during the year (note 10)	(139,420)	—	(139,420)
Release of deferred tax recognised in other comprehensive income	—	(719,577)	(719,577)
Deferred tax recognised in other comprehensive income	—	765,825	765,825
At 31 December 2017	413,218	5,942,976	6,356,194

28. SHARE CAPITAL

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

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

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

	Number of shares in issue	Share capital
		HK$
Issue of shares at incorporation	50,000	193
As at 31 December 2016 and 1 January 2017	50,000	193
Share allotment on 14 September 2017	19,500	193
Share repurchase on 14 September 2017	(50,000)	(193)
As at 31 December 2017	19,500	193

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Merger reserve

The merger reserve of the Group represents the share capital of the then holding company of the Group prior to the completion of the Reorganisation as mentioned in note 2.1 of Section II to the Historical Financial Information.

30. INVESTMENT IN A SUBSIDIARY

	31 December	
	2016	2017
	HK$	*HK$*
Investment, at cost	386,175	386,175

31. DUE TO SUBSIDIARIES

The Company's amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

32. RETAINED PROFITS (COMPANY)

	Retained profits *HK$'000*
At 22 August 2016 (date of incorporation)	—
Profit and total comprehensive income for the period	—
At 31 December 2016 and 1 January 2017	—
Profit and total comprehensive income for the year	4,000,000
Special 2017 dividend	(4,000,000)
At 31 December 2017	—

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

31 December 2016

	1 January 2016 *HK$*	**Net cash outflows** *HK$*	**31 December 2016** *HK$*
Bank borrowings	65,000,000	(8,000,000)	57,000,000
Subordinated loan	3,000,000	(3,000,000)	—
	68,000,000	(11,000,000)	57,000,000

31 December 2017

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

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments

The Group and the Company classified its financial instruments in the following categories:

FINANCIAL ASSETS

31 December 2016

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK$	*HK$*	*HK$*
Group			
Other assets	475,000	—	475,000
Trade receivables	136,692,766	—	136,692,766
Financial assets at fair value through profit or loss	—	9,308,105	9,308,105
Other receivables included in prepayment and other receivables	1,781,155	—	1,781,155
Cash and cash equivalents	8,194,738	—	8,194,738
Total	147,143,659	9,308,105	156,451,764
Company			
Other receivables	193	—	193
Total	193	—	193

31 December 2017

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK$	*HK$*	*HK$*
Group			
Other assets	475,000	—	475,000
Trade receivables	324,145,933	—	324,145,933
Financial assets at fair value through profit or loss	—	12,970,426	12,970,426
Other receivables included in prepayment and other receivables	1,568,988	—	1,568,988
Cash and cash equivalents	8,999,289	—	8,999,289
Total	335,189,210	12,970,426	348,159,636
Company			
Other receivables	193	—	193
Cash and cash equivalents	1,325	—	1,325
Total	1,518	—	1,518

FINANCIAL LIABILITIES

31 December 2016

	Financial liabilities at amortised cost *HK$*
Group	
Trade payables	31,887,888
Other payables and accruals	3,069,010
Bank borrowings	57,000,000
	91,956,898
Company	
Due to a subsidiary	386,175
	386,175

31 December 2017

	Financial liabilities at amortised cost *HK$*
Group	
Trade payables	203,615,931
Other payables and accruals	5,680,870
Bank borrowings	47,500,000
	256,796,801
Company	
Due to subsidiaries	387,500
	387,500

(b) Financial risk factors

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

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

(i) Market risk

(1) Foreign exchange risk

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

The Group is mainly exposed to currency risk arisen from Renminbi ("RMB"). As at 31 December 2016 and 2017, 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$31,000 and HK$99,000, respectively, mainly as a result of foreign exchange impact arising from net position of RMB denominated assets and liabilities.

(2) Cash flow and fair value interest rate risks

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 with variable interest rates which are collateralised by margin clients' securities.

At 31 December 2016 and 2017, 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$531,000 and HK$780,000, respectively.

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 of the Company manage the exposure by closely monitoring the portfolio of equity investments. The management of the Group manages the risk exposure by closely monitoring the investment and will consider hedging the risk exposure should the needs arise.

The management of the Group has utilised the effect of stock price variation on profit to manage and analyse price risk. If the equity price of 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 years ended 31 December 2016 and 2017 would have increased/decreased approximately by HK$465,000 and HK$649,000, respectively.

(ii) Credit risk

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

In order to minimise the credit risk, management of the Group has delegated a team responsible to compile the credit and risk management policies, to approve credit limits and determine any debt recovery action on those delinquent receivables. In addition, the Group holds collateral to cover its credit risks associated with its trade receivables from margin clients as mentioned in note 19 and reviews the recoverable amount for each individual trade 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 financial institutions with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

As at 31 December 2016 and 2017, the Group has concentration of credit risk on trade receivables of 17% and 7%, respectively, of the total trade receivables due from the top five largest customers (excluding brokers) and 17% and 62%, respectively, of the total trade receivables due from a broker, which is registered with the United States Securities and Exchange Commission as a broker dealer.

(iii) Liquidity risk

As part of its ordinary broking activities, the Group is exposed to liquidity risk arising from the timing difference between settlement with clearing house, brokers and clients. To address the risk, management is responsible for its own cash management, including the short term investment of cash surpluses and the raising of borrowings to cover the 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, banking facilities and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meets its liquidity requirements in the short and longer term.

As at 31 December 2016 and 2017, the Group's available unutilised bank overdrafts and revolving loan facilities aggregated to approximately HK$139,500,000 and HK$142,500,000, respectively.

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 respective reporting period.

	On demand or within one year	Over one year	Total Contractual undiscounted cash flow	Total Carrying amount
	HK$	*HK$*	*HK$*	*HK$*
31 December 2016				
Trade payables	31,887,888	—	31,887,888	31,887,888
Other payables and accruals	3,069,010	—	3,069,010	3,069,010
Bank borrowings	57,029,827	—	57,029,827	57,000,000
	91,986,725	—	91,986,725	91,956,898
31 December 2017				
Trade payables	203,615,931	—	203,615,931	203,615,931
Other payables and accruals	5,680,870	—	5,680,870	5,680,870
Bank borrowings	47,530,238	—	47,530,238	47,500,000
	256,827,039	—	256,827,039	256,796,801

(c) Capital management

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

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

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

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

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

	Fair value measurements categorised into			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Fair value measurement for:	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016				
Financial assets at fair value through profit or loss	9,308,105	—	—	9,308,105
31 December 2017				
Financial assets at fair value through profit or loss	12,970,426	—	—	12,970,426

During the Relevant Periods, there were no transfers of financial instruments amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

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

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

35. 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 trade receivable from or trade 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 Historical Financial Information and the Group does not intend to settle the balances on a net basis.

				Related amounts not offset in the statements of financial position		
	Gross amount of recognised financial assets	**Gross amount of recognised financial liabilities offset in the statements of financial position**	**Net amount of financial assets presented in the statements of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 December 2016						
Trade receivable due from clearing house	403,304,596	(391,437,389)	11,867,207	—	—	11,867,207
As at 31 December 2017						
Trade receivable due from clearing house	602,044,514	(594,675,131)	7,369,383	—	—	7,369,383

				Related amounts not offset in the statements of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets offset in the statements of financial position	Net amount of financial liabilities presented in the statements of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 December 2016						
Trade payable due to clearing house	397,197,852	(391,437,389)	5,760,463	—	—	5,760,463
As at 31 December 2017						
Trade payable due to clearing house	596,265,733	(594,675,131)	1,590,602	—	—	1,590,602

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor:

The Group leases its investment properties (note 16 to the Historical Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from 2 of 3 years. The terms of the leases also require the tenants to pay security deposits.

At 31 December 2016 and 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December	
	2016	**2017**
	HK$	*HK$*
Within one year	521,000	300,000
In the second to fifth year inclusive	528,000	125,000
	1,049,000	425,000

(b) As lessee:

The Group leases an office premise and office equipment under operating lease arrangements. The lease for office property is negotiated for a term of 3 years.

At 31 December 2016 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December	
	2016	**2017**
	HK$	*HK$*
Within one year	551,000	480,000
In the second to fifth year inclusive	—	560,000
	551,000	1,040,000

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December	
	Notes	**2016**	**2017**
		HK$	*HK$*
Close family members of Kou Kuen, Kou Tak Tai and Chan Ying Kit:			
Brokerage income	a	2,179	585
Commission expenses	a	(11,676)	(5,239)
Interest income	b	252	31
Interest expense	b	(4)	—
Salaries, bonuses and contributions to retirement schemes	c	(218,406)	(227,445)
Proceeds from disposal of land and building	f	—	11,000,000
Key management personnel:			
Brokerage income	a	82,140	43,802
Commission expenses	a	(22,139)	(1,261,673)
Interest income	b	23,519	149
Interest expense	b	(162)	(153)
Related company:			
Victory Financial Group Company Limited			
Share of rental expenses	d	556,800	46,400
Share of office management fees	d	120,000	10,000
Share of office expenses	d	132,000	11,000
Other interest income	e	737,100	—

Notes:

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

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

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

(d) Pursuant to a cost-sharing agreement, effective from 1 January 2015, made between the Group and VFGCL, VFGCL agreed to share rental expense and office management fee of HK$46,400 and HK$10,000 per month, respectively, in respect of the office area occupied by VFGCL; and VFGCL agreed to pay the Group HK$11,000 per month in respect of the costs incurred relating to the office. The arrangement was terminated starting from February 2017.

(e) Pursuant to a loan agreement, effective from 1 January 2016 to 31 December 2016, made between the Group and VFGCL, the Group agreed to make available to VFGCL a loan facility of up to HK$40,000,000 with an average effective interest rate of 3.5% per annum, which was mutually agreed.

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

(g) On 4 February 2016, the Group disposed of its unlisted equity securities at its investment cost of HK$418,000 to a close family member of Kou Kuen and Chan Ying Kit. No gain or loss was realised from the disposal.

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

	31 December	
	2016	**2017**
	HK$	*HK$*
Close family members of Kou Kuen, Kou Tak Tai and Chan Ying Kit:		
Trade payables	(5,345)	—
Key management personnel:		
Trade receivables	5,881,966	5,165,800
Trade payables	(118,342)	(663,508)
Other receivables	24,500	—
Other payables	(120,000)	—
Related companies:		
Victory Insurance Consultants Limited	(38,605)	1,086
Victory Global Trustee Company Limited	(6,525)	—

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

Except for the trade receivables and trade payables and the loan terms as mentioned above, other balances are unsecured, interest-free and have no fixed repayment terms. Kou Kuen has given personal guarantees to banks to obtain the bank facilities granted to the Group to the extent of HK$196,500,000 and HK$190,000,000 as at 31 December 2016 and 2017, respectively. In the opinions of the directors, the guarantees issued by Kou Kuen will be released prior to the initial **[REDACTED]** of the shares of the Company on GEM of the Stock Exchange.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

39. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholder's resolution dated 12 February 2018, the Company declared and paid cash dividends of HK$8.0 million to its then sole shareholder.