Victory Securities (Holdings) Company Limited
勝利證券（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	
	HK$	*HK$*	% of changes
Revenue	**64,906,137**	56,433,162	15.0
Other operating expenses	**27,621,023**	17,068,586	61.8
Profit for the year	**7,125,533**	17,653,083	(59.6)
Basic and diluted earnings per share (in HK cents)	**4.12**	11.77	

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

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

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

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

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

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

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

The board of Directors (the "**Board**") of the Company and its subsidiaries (collectively, the "**Group**") is pleased to present the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$	*HK$*
PROFIT FOR THE YEAR	**7,125,553**	17,653,083
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of land and buildings held for own use:		
— gross gain	**7,789,322**	4,641,365
— income tax effect	**(1,285,238)**	(765,825)
Income tax effect on disposal of land and buildings held for own use	**—**	719,577
Other comprehensive income for the year, net of tax	**6,504,084**	4,595,117
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,629,637**	22,248,200
Attributable to:		
Owners of the parent	**13,629,637**	22,248,200

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** *HK$*	2017 *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**57,080,295**	50,698,601
Investment property		**10,500,000**	10,200,000
Intangible asset		**600,001**	1
Other assets		**657,661**	475,000
Total non-current assets		**68,837,957**	61,373,602
CURRENT ASSETS			
Accounts receivable	*13*	**260,112,548**	324,145,933
Prepayments and other receivables		**2,189,903**	3,840,033
Financial assets at fair value through profit or loss		**15,504,723**	12,970,426
Cash and cash equivalents		**15,425,482**	8,999,289
Total current assets		**293,232,656**	349,955,681
CURRENT LIABILITIES			
Accounts payable	*14*	**65,908,786**	203,615,931
Other payables and accruals		**4,219,286**	5,680,870
Provisions		**2,680,430**	1,645,138
Bank borrowings		**76,500,000**	47,500,000
Tax payable		**941,589**	3,068,427
Total current liabilities		**150,250,091**	261,510,366
NET CURRENT ASSETS		**142,982,565**	88,445,315
TOTAL ASSETS LESS CURRENT LIABILITIES		**211,820,522**	149,818,917
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**7,782,060**	6,356,194
Total non-current liabilities		**7,782,060**	6,356,194
Net assets		**204,038,462**	143,462,723
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**1,999,998**	193
Reserves		**202,038,464**	143,462,530
TOTAL EQUITY		**204,038,462**	143,462,723

Notes:

1. CORPORATE INFORMATION

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

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

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

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

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US$50,000	100%	—	Investment holding
Victory Securities Company Limited	Hong Kong	HK$100,000,000	—	100%	Securities broking, financing and asset management
Victory (Nominees) Limited	Hong Kong	HK$1	—	100%	Dormant
Victory VC Asset Management Company Limited	Hong Kong	HK$1,000,000	—	100%	Dormant
VS Capital Limited	Hong Kong	HK$1,000,000	—	100%	Inactive

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

Classification and measurement

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

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

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

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

Note:

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

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 13 to this announcement.

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

Impact on retained profits

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

2 Effective for annual periods beginning on or after 1 January 2020

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

4 No mandatory effective date yet determined but available for adoption

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Taxes

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

Estimation uncertainty

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

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

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

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

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

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

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

As at 31 December 2018, a credit loss allowance of HK$351,917 has been made against margin client and cash client receivables. Further details are set out in note 13(f) to this announcement. Other than the margin client and cash client receivables, no credit loss allowance has been provided for other financial assets as the related credit loss allowances were immaterial.

(c) Valuation on convertible bonds

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 December 2018

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

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

Year ended 31 December 2017

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

Geographical information

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

Information about major customers

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

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

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

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

5. REVENUE

An analysis of revenue is as follows:

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

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

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

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

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

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

7. STAFF COSTS

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

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

8. FINANCE COSTS

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

9. PROFIT BEFORE TAX

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

10. INCOME TAX EXPENSE

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

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

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

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in note 15 to this announcement had been effective on 1 January 2017.

12. DIVIDENDS

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

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

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

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

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

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

13. ACCOUNTS RECEIVABLE

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

Notes:

(a) Margin client receivables

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

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

(b) Cash client receivables

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

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

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

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

(c) Clearing house receivables

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

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

As at 31 December 2018, included in receivable from clearing houses was a net receivable from Hong Kong Securities Clearing Company Limited ("**HKSCC**") of HK$36,065,917 (2017: HK$7,369,383), with legally enforceable right to set off the corresponding receivable and payable balances.

(d) Broker receivables

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

(e) Placing commission receivables

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

(f) Impairment

Impairment under HKFRS 9 for the year ended 31 December 2018

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

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

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

- Transfer of client receivables of HK$3,571,134 from stage 1 to stage 2 and HK$94,438 from stage 1 to stage 3, resulting in an increase in loss allowance of HK$176 and HK$65,274, respectively; and

- Increase in margin receivables of HK$51,256,593, which was included origination of new client receivables and new drawdown from existing clients.

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

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

Impairment under HKAS 39 for the year ended 31 December 2017

Margin client receivables

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

Cash client and clearing house receivables

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

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

Broker receivables

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

14. ACCOUNTS PAYABLE

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

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

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

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

15. SHARE CAPITAL

Shares

Authorised shares

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

Issued and fully paid

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

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

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

Notes:

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

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

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

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

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor:

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

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

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

(b) As lessee:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Securities broking and placing and underwriting services

Brokerage services

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

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

Placing and underwriting services

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

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

Others

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

Financing services

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

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

Asset management services

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

FINANCIAL REVIEW

Revenue

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

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

(1) Securities broking and placing and underwriting services

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

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

(a) Brokerage services

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

(b) Placing and underwriting services

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

(c) Others

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

(2) Financing services

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

(3) Asset management services

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

Other income and gains/(losses), net

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

Commission expenses

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

Other operating expenses

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

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

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

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

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

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

Profit for the year attributable to equity owners of the Company

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

Use of Proceeds from Share Offer

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

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

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

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

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

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

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

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

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

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

Comparison Between Business Objectives and Actual Business Progress

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

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

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

Pledge of Assets

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 16 to this announcement, the Group had no other commitments as at 31 December 2018 and 2017.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies by the Group during the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK AND PROSPECTS

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2019 AGM

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

To qualify for the proposed final dividend

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

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. For the period from the Listing Date to 31 December 2018, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code. The Audit Committee currently comprises a non-executive Director and two independent non-executive Directors, namely Mr. Chan Ying Kit, Mr. Leung Kwong Kin and Dr. Yan Ka Shing, respectively. The chairman of the Audit Committee is Mr. Leung Kwong Kin.

The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealings**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to 31 December 2018.

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

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

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Relationship with our controlling shareholders" and "Connected transactions" in the Prospectus, none of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the year ended 31 December 2018.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2018, save and except for the compliance adviser's agreement entered into between the Company and Pulsar Capital Limited (the "**Compliance Adviser**") dated 12 October 2017, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.victorysec.com.hk). The annual report of the Group for the year ended 31 December 2018 containing all the information required by the GEM Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 22 March 2019

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.victorysec.com.hk).