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 2019

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

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

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

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

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

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

(i) decrease in listing expenses of approximately HK$6.81 million (included in other operating expenses);

(ii) decrease in other operating expenses (excluding listing expenses) of approximately HK$5.16 million;

(iii) decrease in income tax expenses of approximately HK$2.22 million;

(iv) decrease in charge for allowance for expected credit losses on accounts receivable, net of approximately HK$0.13 million; and

(v) increase in revenue from financing services of approximately HK$3.95 million.

However, the effect was partly offset by the following:

(i) increase in staff costs of approximately HK$5.31 million;

(ii) increase in finance costs of approximately HK$1.30 million;

(iii) increase in depreciation expenses of approximately HK$0.71 million;

(iv) increase in share-based payment expenses and commission expenses of approximately HK$0.63 million; and

(v) decrease in revenue (excluding revenue from financing services) and other income and gains of approximately HK$8.16 million.

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

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 2019, together with the restated comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$	2018 HK$ (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**54,473,345**	57,090,289
Investment property		**10,800,000**	10,500,000
Intangible assets		**611,665**	600,001
Other assets		**624,747**	657,661
Total non-current assets		**66,509,757**	68,847,951
CURRENT ASSETS			
Accounts receivable	*14*	**214,306,465**	260,132,715
Prepayments and other receivables		**2,588,035**	3,219,316
Financial assets at fair value through profit or loss		**9,135,767**	15,504,723
Tax recoverable		**43,348**	70,231
Cash and cash equivalents		**17,766,037**	16,679,402
Total current assets		**243,839,652**	295,606,387
CURRENT LIABILITIES			
Accounts payable	*15*	**16,299,140**	66,095,411
Other payables and accruals		**11,559,287**	4,243,934
Interest-bearing bank and other borrowings		**69,079,843**	76,500,000
Tax payable		**124,784**	941,589
Provisions		**170,514**	2,680,430
Total current liabilities		**97,233,568**	150,461,364
NET CURRENT ASSETS		**146,606,084**	145,145,023
TOTAL ASSETS LESS CURRENT LIABILITIES		**213,115,841**	213,992,974
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**7,739,462**	7,782,060
Total non-current liabilities		**7,739,462**	7,782,060
Net assets		**205,376,379**	206,210,914
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**1,999,998**	1,999,998
Other reserves		**203,376,381**	204,210,916
Total equity		**205,376,379**	206,210,914

Notes:

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Acquisition of an entity under common control

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

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

The consolidated financial statements have been prepared to present the assets and liabilities of the subsidiary acquired pursuant to the Acquisition using the existing book values from the controlling shareholders' perspective. The comparative amounts have been restated accordingly as if the financial statements of Victory Insurance had always been consolidated in the Group as detailed in note 17.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and impact of the new and revised HKFRSs are described below:

Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in "other assets" in the statement of financial position.

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

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

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

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

Adoption of HK (IFRIC)-Int 23

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

Amendments under Annual Improvements to HKFRSs 2015–2017 Cycle

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

- *HKFRS 3 Business Combinations:* Clarifies that when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The Group has had no joint operation and therefore, the amendments are not applicable to the Group's financial statements.

- *HKFRS 11 Joint Arrangements:* Clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The Group has not participated in any joint operation and therefore, the amendments are not applicable to the Group's financial statements.

- *HKAS 12 Income Taxes:* Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's financial statements.

- *HKAS 23 Borrowing Costs:* Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

Taxes

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

Estimation uncertainty

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

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

An investment property and leasehold land and buildings are carried in the consolidated statement of financial position at their fair values. The fair value is based on a valuation on these properties conducted by an independent professional valuer using property valuation techniques which involve making assumptions on certain market conditions. 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 expected credit losses ("**ECLs**") on margin client receivables by estimating the probability of decline in expected future collateral prices and failure of meeting the margin call requirement given the notice period of termination, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

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

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

As at 31 December 2019, a credit loss allowance of HK$531,508 (2018: HK$351,917) has been made against margin client and cash client receivables. Further details are set out in note 14(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 of convertible bonds*

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

(d) Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(d) the insurance consultancy services segment comprises the provision of insurance consultancy services; and

(e) the financial advisory services segment comprises the provision of financial advisory services.

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

Year ended 31 December 2019

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

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

Year ended 31 December 2018

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

Geographical information

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

Information about major customers

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

	2018 *HK$*
Customer A	8,014,209

5. REVENUE

An analysis of revenue is as follows:

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

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

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

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

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

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

7. STAFF COSTS

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

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

8. PROFIT BEFORE TAX

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

	Notes	**2019**	2018
		HK$	*HK$*
			(restated)
Auditor's remuneration		**810,000**	650,000
Amortisation		**368,336**	200,000
Depreciation			
Property, plant and equipment		**2,419,834**	2,165,508
Right-of-use assets	*13(a)*	**454,968**	–
Direct operating expenses arising from rental-earning investment property		**4,754**	5,524
Exchange and clearing fee		**2,585,135**	6,087,164
Equity-settled share option expense		**225,433**	–
Foreign exchange loss, net		**112,618**	1,023,451
Charge for allowance for expected credit losses on accounts receivable, net	*14*	**179,591**	310,667
Information services expenses		**3,434,424**	2,779,307
Lease payments not included in the measurement of lease liabilities	*13(c)*	**327,190**	–
Listing expenses		**–**	6,812,158
Minimum lease payments under operating leases		**–**	757,107
(Reversal of provision)/provision for loss on guaranteed contracts with customers		**(25,856)**	1,090,953

9. FINANCE COSTS

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

10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

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

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

11. DIVIDENDS

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

(a) At a meeting held on 7 August 2019, the Board declared an interim dividend of HK1.20 cents (2018: HK1.00 cent) per share for the six months ended 30 June 2019, which was paid on 13 September 2019.

(b) The final dividend for the year ended 31 December 2018 was approved in the annual general meeting of the Company held on 14 May 2019 and paid on 13 June 2019.

(c) The special dividend in 2018 was declared and paid to the immediate holding company, Victory Securities Holding Limited.

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

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

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

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

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

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2018 has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in note 16 had been effective on 1 January 2017.

13. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

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

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

The Group as a lessor

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

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

	2019	2018
	HK$	*HK$*
Within one year	**312,000**	125,000
After one year but within two years	**290,194**	–
	602,194	125,000

14. ACCOUNTS RECEIVABLE

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

Notes:

(a) Margin client receivables

At 31 December 2019, the Group held securities (excluding bonds) with an aggregate fair value of HK$412,690,408 (2018: HK$351,454,304) and bonds with an aggregate fair value of HK$16,485,626 (2018: HK$10,823,720) as collateral over net margin client receivables. All margin client receivables are repayable on demand and bear interest at commercial rates. The collateral held can be sold at the Group's discretion to settle any outstanding amount owned by margin clients.

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

(b) Cash client receivables

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

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

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

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

(c) Clearing house receivables

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

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

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

(d) Broker receivables

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

(e) Receivables from other major service lines

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

(f) Allowance for ECL

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

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

	2018			
	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 receivables	0.01%	0.01%	91.51%	0.06%
Cash client receivables	0.88%	N/A	100.00%	0.96%

Impairment under HKFRS 9 for the year ended 31 December 2019

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

- Transfer of client receivables of HK$17,650,745 from stage 1 to stage 2 and HK$111,318 from stage 1 to stage 3, resulting in an increase in credit loss allowance of HK$60,743 and HK$110,426, respectively;

- Increase in cash client receivables of HK$4,147,230, which included origination of new client receivables and new drawdown from existing clients; and

- For all stage 3 gross margin client and cash client receivables amounting to HK$217,050, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK$8,405.

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

Impairment under HKFRS 9 for the year ended 31 December 2018

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

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

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

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

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

15. ACCOUNTS PAYABLE

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

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

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

As at 31 December 2019, included in amounts payable to clearing houses was a net payable to HKSCC of HK$11,984,135 (2018: HK$4,352,876) with a legally enforceable right to set off the corresponding receivable and payable balances.

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

16. SHARE CAPITAL

Shares

Authorised shares

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

Issued and fully paid

	2019	2018
	HK$	*HK$*
Issued and fully paid:		
200,000,000 (2018: 200,000,000) ordinary shares	**1,999,998**	1,999,998

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

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

Notes:

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

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

17. BUSINESS COMBINATIONS UNDER COMMON CONTROL

As detailed in note 2 to this announcement, the Acquisition was regarded as a business combination under common control and accounted for using the merger accounting method. The consolidated financial statements are prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in these consolidated financial statements. Victory Insurance was principally engaged in provision of insurance consultancy services.

The statements of the adjustment to the consolidated equity as at 31 December 2019 and 31 December 2018 are as follows:

	As at 31 December 2019			
	Before combination HK$	**Entity under common control HK$**	**Adjustment HK$**	**After combination HK$**
Share capital	**1,999,998**	**1,000,000**	**(1,000,000)**	**1,999,998**
Merger reserve	**100,000,000**	**–**	**(3,800,000)**	**96,200,000**
Retained profits and other reserves	**105,851,122**	**1,325,259**	**–**	**107,176,381**
	207,851,120	**2,325,259**	**(4,800,000)**	**205,376,379**

	As at 31 December 2018			
	Before combination HK$	Entity under common control HK$	Adjustment HK$	After combination HK$
Share capital	1,999,998	1,000,000	(1,000,000)	1,999,998
Merger reserve	100,000,000	–	1,000,000	101,000,000
Retained profits and other reserves	102,038,464	1,172,452	–	103,210,916
	204,038,462	2,172,452	–	206,210,914

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Update on business development

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

(1) Acquisition of Victory Insurance Consultants Limited

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

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

(2) Approval of type 6 (advising on corporate finance) license (the "Type 6 License")

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

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

Introduction to business sectors

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

Brokerage services

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

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

Placing and underwriting services

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

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

Advising on securities services

The Group also provides services of advising on investment activities, which involve giving research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for approximately 1.8% of the total revenue for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

Others

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

(2) Financing services

The Group continued to solidify its customer base by enhancing marketing capabilities and optimising loan service processes. Generally, the Group provides margin financing and short-term financing for initial public offering ("**IPO**") of the shares to customers to facilitate them to purchase securities in the secondary market and apply for new shares in connection with IPO respectively, and the Group derives interest income in return. The Group also generates interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2019 and 2018, approximately 22.5% and 14.9% of the total revenue was derived from financing services, respectively.

Such increase in the proportion to total revenue is partially due to an increasing demand from investors leveraging their investments return by financing, and also attributable to the stronger financial capability that better fulfils investors' financing demand. The Group aims to develop a niche in the loan market, providing corporate and retail customers with tailored liquidity solutions to meet their needs. The Group believes that such increase in revenue from margin financing can sustain, especially when the Group has changed the use in proceeds raised from the IPO of the Company and further invested HK$6.0 million into the margin financing business in the second half of year 2019. The Group expects the revenue from this segment can provide the Group with stable income stream and help the Group to maintain steady cash flow. On the other hand, the Group will review the limits and controls on margin loans to ensure the Group can monitor and control the potential risks associated with any expansion of the business sector.

(3) Asset management services

The Group offers asset management services on a discretionary basis to high net worth customers who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately 2.4% and 0.9% of the total revenue for the years ended 31 December 2019 and 2018, respectively.

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

(4) Financial advisory services

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

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

(5) Insurance consultancy services

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

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

Outlook, Prospects and Future Plans

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

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

The Group has worked hard over the year to expand its customer base and service channels through delivery of excellent services and client relationship management, in order to capture more business opportunities. The Group will continue to play a more active role in participating in other financial actions/transactions which took place in the market in order to further develop and strengthen its market position as an integrated financial services provider. Moreover, the Group will allocate more resources to the asset management segment to achieve a vertical development. New asset management licenses will be applied to expand the scale of the asset management segment. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the business risks and market uncertainties. The Group will also continue to explore opportunities with our strength and expertise.

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

(a) *Brokerage services*

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

(b) *Placing and underwriting services*

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

(c) *Advising on securities services*

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$1.10 million from the advising on securities services, which was derived from giving research reports and analysis and represents a new income stream for the Group.

(d) *Others*

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

(2) Financing services

For the year ended 31 December 2019, the Group recorded interest income of approximately HK$13.99 million from financing services, representing an increase of approximately 39.3% as compared to the revenue of approximately HK$10.04 million for the year ended 31 December 2018. This was mainly due to the increase in the overall loan book extended to both margin and non-margin clients. This represented a keen demand for financing from clients and the Group has been able to cater the demand from clients with a stronger financing capacity.

(3) Asset management services

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

(4) Financial advisory services

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

(5) Insurance consultancy services

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

Other income and gains/(losses), net

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

Commission expenses

The following is the breakdown on commission expenses:

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

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

Other operating expenses

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

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

(ii) decrease in exchange and clearing fee incurred for securities transactions of approximately HK$3.50 million;

(iii) decrease in provision for loss on guaranteed contracts of approximately HK$1.12 million; and

(iv) decrease in marketing, entertainment and other miscellaneous expenses of approximately HK$3.47 million.

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

(i) increase in information services expenses of approximately HK$0.66 million mainly due to the launch on new apps; and

(ii) increase in consultancy fee, professional and legal expenses of approximately HK$2.27 million mainly due to expenses incurred for compliance to the GEM Listing Rules after the Company was listed in July 2018, as well as the professional fees incurred for the acquisition of Victory Insurance.

Profit for the year attributable to owners of the parent

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

(i) decrease in listing expenses of approximately HK$6.81 million (included in other operating expenses);

(ii) decrease in other operating expenses (excluding listing expenses) of approximately HK$5.16 million;

(iii) decrease in income tax expenses of approximately HK$2.22 million;

(iv) decrease in charge for allowance for expected credit losses on accounts receivable, net of approximately HK$0.13 million; and

(v) increase in revenue from financing services of approximately HK$3.95 million.

However, the effect was partly offset by the following:

(i) increase in staff costs of approximately HK$5.31 million;

(ii) increase in finance costs of approximately HK$1.30 million;

(iii) increase in depreciation expenses of approximately HK$0.71 million;

(iv) increase in share-based payment expenses and commission expenses of approximately HK$0.63 million; and

(v) decrease in revenue (excluding revenue from financing services) and other income and gains of approximately HK$8.16 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

As at 31 December 2019, the short-term bank borrowings of the Group were approximately HK$69.08 million (as at 31 December 2018: approximately HK$76.50 million). Size of the secured bank borrowings depends primarily on the increase in clients' demand on our Group's financing services which in turns affect our demand on the short-term bank loans. These borrowings are secured by clients' securities and securities held by the Group, leasehold land and buildings and investment properties of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2019 and 2018 ranged from one-week Hong Kong Interbank Offered Rate plus 2.25% for revolving term loans, and at Hong Kong Prime Rate/Hong Kong Prime Rate plus 0.5% per annum for overdrafts. All bank loans have maturity within one month and were mainly denominated in HK$. The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2019 was approximately 22.3% (as at 31 December 2018: approximately 21.0% (restated)).

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

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

Use of Proceeds from Share Offer

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

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

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

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

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

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

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

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

Changes in Use of Proceeds During the Year

On 24 June 2019, the Board resolved to change the use of the remaining unutilized Net Proceeds as set out in the section headed "Business Objectives and Future Plans" in the Prospectus ("**Adjusted Plan**"). The revised allocation of the Net Proceeds, the amount of Net Proceeds utilized as at 31 December 2019 and the remaining balance of Net Proceeds after the revised allocation as at 31 December 2019 are set out as follows:

Intended use of Net Proceeds	**Original allocation of Net Proceeds as stated in the Prospectus** *(HK$ million)*	**Revised allocation of Net Proceeds** *(HK$ million)*	**Amount of Net Proceeds utilized as at 31 December 2019** *(HK$ million)*	**The remaining balance of Net Proceeds after the revised allocation as at 31 December 2019** *(HK$ million)*
Enlarging the capacity of the financing services	22.6	28.6	28.6	–
Proprietary trading	5.0	5.0	5.0	–
Upgrading the PMS and OMS	6.0	–	–	–
Expanding the client network with a focus on high net worth and institutional clients	3.0	3.0	1.5	1.5
Entering into the corporate finance advisory business	2.5	2.5	2.5	–
Enhancing the research capabilities and asset management service	2.0	2.0	0.8	1.2
Working capital and other general corporate purpose	2.9	2.9	2.9	–
Total	44.0	44.0	41.3	2.7

Reasons for the change in use of Net Proceeds

Business outlook and operating environment for the securities industry in Hong Kong remained challenging. There were signs of slowdown of economic growth due to the escalation of trade disputes between the US and PRC and retaliatory tariffs. The economic conditions were still volatile with fund flow volatilities and downside risks in Hong Kong and China. The uncertain economic and market situation has resulted in the volatility in stock market.

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

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

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

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

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

Comparison between business objectives and actual business progress

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

Business objectives	Actual business progress up to 31 December 2019
Enlarging the capacity of our financing services	Utilized for expanding the scope of financing services
Working capital and other general corporate purposes	Utilized for general working capital
Proprietary trading	Fully utilized for the purposes
Upgrading our PMS and OMS	The proceeds were utilized for expanding the scope of financing services as stated in the announcement of the Company dated 24 June 2019
Expanding our client network with a focus on high net worth and institutional clients	Partly utilized for marketing purposes to promote the Group's image, remaining will be utilized in year 2020
Entering into the corporate finance advisory business	The application of the respective license for corporate finance advisory business is approved in August 2019, the respective personnel were on board and the proceeds were fully utilized
Enhancing our research capabilities and asset management service	Respective staff in position at the fourth quarter of 2019 and work plans formulated, the remaining amount expected to be fully utilized in year 2020

PLEDGE OF ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 13 to this announcement, the Group had no other commitments as at 31 December 2019 and 2018.

CONTINGENT LIABILITIES

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

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

Save as disclosed in the announcements of the Company dated 15 August 2019 and 20 August 2019 and note 17 of this announcement, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2020 AGM

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

To qualify the proposed final dividend

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

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 year ended 31 December 2019, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

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. Ying Wing Ho Peter and Dr. Yan Ka Shing, respectively. The chairman of the Audit Committee is Mr. Ying Wing Ho Peter.

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 2019.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the year ended 31 December 2019.

COMPLIANCE ADVISER'S INTERESTS

Save and except for the compliance adviser's agreement entered into between the Company and Pulsar Capital Limited (the "**Compliance Adviser**") dated 12 October 2017, neither the Compliance Adviser, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or other companies of the Group (including options or rights to subscribe for such securities) as at 31 December 2019 and up to the date of this announcement, 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 2019 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, 19 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen and Mr. Chan Pui Chuen, one non-executive Director, namely Mr. Chan Ying Kit (Chairman) and three independent non-executive Directors, namely Mr. Ying Wing Ho Peter, 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).