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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Victory Securities (Holdings) Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2020 interim report will be delivered to the shareholders of the Company in due course.

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

Hong Kong, 5 August 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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).

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Chan Ying Kit (*Chairman*)

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Ying Wing Ho Peter (*Chairman*)
Mr. Chan Ying Kit
Dr. Yan Ka Shing

REMUNERATION COMMITTEE

Mr. Ying Wing Ho Peter (*Chairman*)
Ms. Kou Kuen
Dr. Yan Ka Shing

NOMINATION COMMITTEE

Dr. Yan Ka Shing (*Chairman*)
Mr. Chan Pui Chuen
Mr. Ying Wing Ho Peter

LEGAL ADVISERS

As to Hong Kong law:

Hastings & Co.

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

As to Cayman Islands law:

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Singapore 049315

AUDITOR

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

COMPLIANCE ADVISER

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

COMPANY SECRETARY

Mr. Kong Yan Yue

COMPLIANCE OFFICER

Mr. Chiu Che Leung, Stephen

AUTHORISED REPRESENTATIVES

Ms. Kou Kuen
Mr. Chiu Che Leung, Stephen

PRINCIPAL BANKER

Chong Hing Bank Limited

REGISTERED OFFICE

Second Floor, Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

COMPANY'S WEBSITE

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

STOCK CODE

8540

FINANCIAL HIGHLIGHTS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
Revenue	15,026,807	16,797,343	32,305,714	32,057,270
Other operating expenses	3,246,821	4,222,726	6,336,907	8,557,317
Profit for the period	6,875,968	2,922,177	10,138,734	7,881,855
Basic and diluted earnings per share (in HK cents)	3.44	1.46	5.07	3.94

Revenue for the six months ended 30 June 2020 was approximately HK\$32.31 million, representing an increase of approximately 0.8% as compared to the revenue of approximately HK\$32.06 million for the six months ended 30 June 2019 (restated), reflecting the increase in revenue from placing and underwriting services, handling fee services, financing services, asset management services and also from the new business line of financial advisory services. The new business has partially compensated the decrease in revenue from the securities and brokerage business.

Profit for the six months ended 30 June 2020 was approximately HK\$10.14 million, representing an increase of approximately 28.6% as compared to the profit of approximately HK\$7.88 million for the six months ended 30 June 2019 (restated) mainly due to:

- (i) increase in fair value gains on financial assets at fair value through profit or loss in which amount of approximately HK\$3.70 million was recorded for the period ended 30 June 2020, when compared to a fair value gains on financial assets at fair value through profit or loss of approximately HK\$1.13 million for the period ended 30 June 2019; and
- (ii) decrease in other operating expenses in which amount of approximately HK\$6.34 million was recorded for the period ended 30 June 2020, when compared to other operating expenses of approximately HK\$8.56 million for the period ended 30 June 2019 (restated).



However, the effect was partly offset by the following:

- (i) increase in staff costs in which amount of approximately HK\$9.64 million was recorded for the period ended 30 June 2020, when compared to staff costs of approximately HK\$8.30 million for the period ended 30 June 2019 (restated); and
- (ii) increase in finance costs in which amount of approximately HK\$2.11 million was recorded for the period ended 30 June 2020, when compared to finance costs of approximately HK\$1.45 million for the period ended 30 June 2019.

An interim dividend of HK1.30 cents per share was declared for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK1.20 cents per share).

The board of Directors (the “Board”) of the Company is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the restated comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2020

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
REVENUE	5	15,026,807	16,797,343	32,305,714	32,057,270
Other income and gains/(losses), net	6	5,273,983	(751,650)	4,355,257	1,714,986
		20,300,790	16,045,693	36,660,971	33,772,256
Commission expenses		(2,260,931)	(2,700,866)	(5,456,733)	(5,068,739)
Depreciation		(705,542)	(729,075)	(1,393,571)	(1,457,791)
Staff costs	7	(4,771,179)	(4,288,468)	(9,637,762)	(8,298,153)
Other operating expenses		(3,246,821)	(4,222,726)	(6,336,907)	(8,557,317)
Release/(charge) for allowance for expected credit losses on accounts receivable, net		9,467	(57,189)	82,750	(43,031)
Reversal/(recognition) of share-based payment expenses		10,460	(69,887)	–	(132,020)
Finance costs	9	(1,218,547)	(872,233)	(2,107,874)	(1,448,002)
PROFIT BEFORE TAX	8	8,117,697	3,105,249	11,810,874	8,767,203
Income tax expense	10	(1,241,729)	(183,072)	(1,672,140)	(885,348)
PROFIT FOR THE PERIOD		6,875,968	2,922,177	10,138,734	7,881,855
Attributable to:					
Owners of the parent		6,875,968	2,922,177	10,138,734	7,881,855
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (in HK cents)	12	3.44	1.46	5.07	3.94

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
PROFIT FOR THE PERIOD		6,875,968	2,922,177	10,138,734	7,881,855
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	13	(1,520,645)	394,690	(2,333,829)	934,603
– income tax effect	26	250,907	(65,124)	385,082	(154,210)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(1,269,738)	329,566	(1,948,747)	780,393
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,606,230	3,251,743	8,189,987	8,662,248
Attributable to:					
Owners of the parent		5,606,230	3,251,743	8,189,987	8,662,248

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	51,754,027	54,473,345
Investment property	14	10,800,000	10,800,000
Intangible assets	16	564,203	611,665
Right-of-use assets	15(a)	1,239,848	74,747
Other assets	17	677,310	550,000
Total non-current assets		65,035,388	66,509,757
CURRENT ASSETS			
Accounts receivable	18	233,810,987	214,306,465
Prepayments and other receivables	19	6,136,365	2,588,035
Financial assets at fair value through profit or loss	20	14,781,360	9,135,767
Tax recoverable		—	43,348
Cash and cash equivalents	21	33,956,740	17,766,037
Total current assets		288,685,452	243,839,652
CURRENT LIABILITIES			
Accounts payable	22	32,414,181	16,299,140
Other payables and accruals	23	5,035,949	11,559,287
Interest-bearing bank and other borrowings	24	96,200,000	69,000,000
Lease liabilities	15(b)	458,106	79,843
Tax payable		807,544	124,784
Provisions	25	170,514	170,514
Total current liabilities		135,086,294	97,233,568
NET CURRENT ASSETS		153,599,158	146,606,084
TOTAL ASSETS LESS CURRENT LIABILITIES		218,634,546	213,115,841



		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	786,244	–
Deferred tax liabilities	26	7,430,108	7,739,462
Total non-current liabilities		8,216,352	7,739,462
Net assets		210,418,194	205,376,379
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	2,000,418	1,999,998
Other reserves		208,417,776	203,376,381
TOTAL EQUITY		210,418,194	205,376,379

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes	Attributable to owners of the parent						Total HK\$
	Share capital (note 27)	Share premium	Property revaluation reserve	Share option reserve	Merger reserve (note 29)	Retained profits	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
For the six months ended 30 June 2020							
At 1 January 2020 (audited)	1,999,998	54,980,741	36,304,518	225,433	96,200,000	15,665,689	205,376,379
Profit for the period	-	-	-	-	-	10,138,734	10,138,734
Other comprehensive loss for the period:							
Change in fair value of land and buildings, net of tax	-	-	(1,948,747)	-	-	-	(1,948,747)
Total comprehensive (loss)/income for the period	-	-	(1,948,747)	-	-	10,138,734	8,189,987
Issue of shares under share option scheme	420	52,080	-	(6,706)	-	6,706	52,500
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(218,727)	-	218,727	-
Final dividend	11	-	-	-	-	(3,200,672)	(3,200,672)
At 30 June 2020 (unaudited)	2,000,418	55,032,821*	34,355,771*	-	96,200,000*	22,829,184*	210,418,194
For the six months ended 30 June 2019							
At 1 January 2019 (audited)	1,999,998	54,980,741	36,579,142	-	100,000,000	10,478,581	204,038,462
Impact of adopting merger accounting	-	-	-	-	1,000,000	1,172,452	2,172,452
Restated opening balance under merger accounting	1,999,998	54,980,741	36,579,142	-	101,000,000	11,651,033	206,210,914
Profit for the period (restated)	-	-	-	-	-	7,881,855	7,881,855
Other comprehensive income for the period:							
Change in fair value of land and buildings, net of tax	-	-	780,393	-	-	-	780,393
Total comprehensive income for the period	-	-	780,393	-	-	7,881,855	8,662,248
Equity-settled share option arrangements	-	-	-	132,020	-	-	132,020
Final dividend	11	-	-	-	-	(3,000,000)	(3,000,000)
At 30 June 2019 (unaudited) (restated)	1,999,998	54,980,741*	37,359,535*	132,020*	101,000,000*	16,532,888*	212,005,182

* These reserve accounts comprise the consolidated other reserves of HK\$208,417,776 as at 30 June 2020 (2019: HK\$210,005,184 (restated)) in the unaudited interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	Notes	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
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NET CASH USED IN OPERATING ACTIVITIES		(2,798,592)	(3,442,326)
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CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	13	(778,355)	(84,355)
Purchase of an intangible asset	16	(163,050)	(380,000)
Purchase of financial assets at fair value through profit or loss		(16,908,754)	(9,526,870)
Proceeds from disposal of financial assets at fair value through profit or loss		15,051,139	10,033,382
Dividend received		152	108
Interest received		–	224,058
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NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(2,798,868)	266,323
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CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	52,500	–
Interest paid		(2,033,344)	(1,327,052)
New bank borrowings		2,490,244,812	528,341,372
Repayment of bank borrowings		(2,463,044,812)	(517,341,372)
Principal portion of lease payments		(230,321)	(230,295)
Dividend paid	11(a)	(3,200,672)	(3,000,000)
<hr/>			
NET CASH FROM FINANCING ACTIVITIES		21,788,163	6,442,653
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NET INCREASE IN CASH AND CASH EQUIVALENTS		16,190,703	3,266,650
Cash and cash equivalents at beginning of period		17,766,037	16,679,402
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CASH AND CASH EQUIVALENTS AT END OF PERIOD		33,956,740	19,946,052
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NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		8,009,417	6,892,290
Interest paid	9	64,851	111,245
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the businesses of securities/futures 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 (the "SFO") to carry out business of dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4) and asset management (Type 9, 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 period, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	–	Investment holding
Victory Securities Company Limited	Hong Kong	HK\$145,000,000	–	100%	Securities/futures 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%	Inactive
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	HK\$11,200,000	–	100%	Inactive

* 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. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standards (“**HKASs**”) 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019. These unaudited interim condensed consolidated financial statements 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 unaudited interim condensed consolidated 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited interim condensed consolidated financial statements were prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in the unaudited interim condensed consolidated financial statements, or at the date when the Company and Victory Insurance were under common control, whichever the later. Accordingly, the unaudited interim condensed consolidated financial statements of the Company are prepared as if the Acquisition had been completed at the beginning of the accounting periods as presented in these unaudited interim condensed consolidated financial statements.

The unaudited interim condensed 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 unaudited interim condensed consolidated financial statements of Victory Insurance had always been consolidated in the Group.

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the financial statements of the Group for the six months ended 30 June 2020. 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.

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2020 have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.



3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Coronavirus Disease 2019 ("COVID-19")-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 30 June 2020, there are no changes to the terms of the leases. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (d) 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. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.





4. OPERATING SEGMENT INFORMATION

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

- (a) the securities/futures broking services segment comprises the provision of broking services in securities and futures traded in Hong Kong and overseas markets and the provision of equity and debt securities placing and underwriting services to listed clients;
- (b) the financing services segment comprises the provision of financing services to margin and cash clients;
- (c) the asset management services segment comprises the provision of fund management and wealth management services;
- (d) the insurance consultancy services segment comprises the provision of insurance consultancy services; and
- (e) the financial advisory services segment comprises the provision of financial advisory services.

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

For the period ended 30 June 2020

	Securities/futures broking services	Financing services	Asset management services	Insurance consultancy services	Financial advisory services	Total
	For the three months ended 30 June 2020	For the three months ended 30 June 2020	For the three months ended 30 June 2020	For the three months ended 30 June 2020	For the three months ended 30 June 2020	For the three months ended 30 June 2020
	HKS	HKS	HKS	HKS	HKS	HKS
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue (note 5)	9,412,104	4,347,477	342,410	320,616	604,200	15,026,607
Segment results	4,818,213	3,145,434	(87,706)	184,271	63,382	8,113,594
Reconciliation:						
Other income and gains, net						5,273,983
Corporate and other unallocated expenses						(5,269,880)
Profit before tax						8,117,697
Other segment information:						
Interest income from clients	-	4,347,477	-	-	-	4,347,477
Finance costs (other than interest on lease liabilities)	-	(1,211,509)	-	-	-	(1,211,509)
Commission expenses	(2,164,062)	-	-	(96,669)	-	(2,260,931)
Release for allowance for expected credit losses ("ECL") on accounts receivable, net	-	-	-	-	-	-
	-	9,467	-	-	-	9,467
		82,750				82,750

The depreciation and amortisation for the period ended 30 June 2020 of HK\$1,393,571 (2019: HK\$1,457,791 (restated)) and HK\$210,512 (2019: HK\$171,668), respectively, are included in the unallocated expenses.

For the period ended 30 June 2019

	Securities/futures broking services	For the three months ended 30 June 2019	For the six months ended 30 June 2019	Financing services	For the three months ended 30 June 2019	For the six months ended 30 June 2019	Asset management services	For the three months ended 30 June 2019	For the six months ended 30 June 2019	Insurance consultancy services	For the three months ended 30 June 2019	For the six months ended 30 June 2019	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Segment revenue (note 5)	12,548,473	23,726,037	3,363,165	6,619,541	168,637	326,137	717,068	1,385,555	16,797,343	32,057,270			
Segment results	7,566,922	13,951,325	2,437,916	5,138,213	(134,970)	(327,570)	232,326	506,552	10,102,194	19,268,520			
Reconciliation:													
Other income and gains/(losses), net													1,714,986
Corporate and other unallocated expenses													(12,216,303)
Profit before tax													3,105,249
Other segment information:													
Interest income from clients	-	-	3,363,165	6,619,541	-	-	-	-	-	-	-	-	6,619,541
Finance costs (other than interest on lease liabilities)	-	-	(868,060)	(1,438,297)	-	-	-	-	-	-	-	-	(868,060)
Commission expenses	(2,323,303)	(4,397,974)	-	-	-	-	(377,563)	(670,765)	(2,700,866)	(5,068,739)			
Reversal of provision for loss on guaranteed contracts with customers	-	-	-	-	-	-	25,856	-	-	-	-	-	25,856
Charge for allowance for ECL on accounts receivable, net	-	-	(57,189)	(43,031)	-	-	-	-	-	-	-	-	(57,189)
													(43,031)

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 six months ended 30 June 2020. During the six months ended 30 June 2019, revenue from a major customer accounting for over 10% of the total revenue of the Group is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Customer A	N/A*	1,994,574	N/A*	4,211,556

* Contributed to less than 10% of the Group's total revenue for the respective periods.

5. REVENUE

An analysis of revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
<i>Revenue from contracts with customers</i>	10,646,202	13,257,970	24,296,297	25,164,980
<i>Revenue from other sources</i>				
Interest income calculated using the effective interest method from:				
– clients	4,347,477	3,363,165	7,952,725	6,619,541
– authorised institutions	20,792	127,449	20,962	175,568
– others	12,336	48,759	35,730	97,181
	15,026,807	16,797,343	32,305,714	32,057,270

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:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
Commission and brokerage income	7,607,673	9,322,146	16,987,351	19,015,265
Placing and underwriting commission income	(25,005)	1,403,170	1,664,663	1,403,170
Income from advising on securities	–	679,970	78,333	939,970
Handling fee income	1,796,308	966,979	2,822,460	2,094,883
Asset management fee	342,410	168,637	788,891	326,137
Financial advisory fee	604,200	–	1,208,400	–
Insurance consultancy fee	320,616	717,068	746,199	1,385,555
Total revenue from contracts with customers	10,646,202	13,257,970	24,296,297	25,164,980



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

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		HK\$ (unaudited)	HK\$ (unaudited) (restated)	HK\$ (unaudited)	HK\$ (unaudited) (restated)
Other income					
Government grant		405,528	–	405,528	–
Gross rental income		78,000	25,000	156,000	100,000
Sundry income		50	4,500	5,599	33,000
		483,578	29,500	567,127	133,000
Trading gains/(losses), net					
Fair value gains/(losses) on financial assets at fair value through profit or loss		4,400,348	(1,014,514)	3,698,073	1,125,086
Dividend income from financial assets at fair value through profit or loss		90,057	132,842	90,057	132,842
Interest income from financial assets at fair value through profit or loss		–	100,522	–	224,058
		4,490,405	(781,150)	3,788,130	1,481,986
Other gain, net					
Fair value gain on investment property	14	300,000	–	–	100,000
		300,000	–	–	100,000
		5,273,983	(751,650)	4,355,257	1,714,986

7. STAFF COSTS

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
Salaries, allowances and benefits in kind	4,575,469	4,102,695	9,229,520	7,932,015
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	195,710	185,773	408,242	366,138
	4,771,179	4,288,468	9,637,762	8,298,153

8. PROFIT BEFORE TAX

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
Auditor's remuneration		204,000	200,000	204,000	200,000
Amortisation	16	108,590	88,334	210,512	171,668
Depreciation of property, plant and equipment	13	589,307	615,331	1,163,844	1,230,305
Depreciation of right-of-use assets	15(a)	116,235	113,744	229,727	227,486
Direct operating expenses arising from rental-earning investment property		1,504	–	3,008	359
Exchange and clearing fee		348,697	762,417	582,328	1,834,410
Foreign exchange (gain)/loss, net		(21,889)	113,957	108,331	99,932
Information services expenses		678,390	1,004,557	1,172,465	2,010,088
Lease payments not included in the measurement of lease liabilities	15(c)	188,449	69,345	302,450	138,690
(Release)/charge for allowance for ECL on accounts receivable, net	18	(9,467)	57,189	(82,750)	43,031
Reversal of provision for loss on guaranteed contracts with customers		–	–	–	(25,856)
(Reversal)/recognition of share- based payment expenses	28	(10,460)	69,887	–	132,020

9. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Interest on bank loans and overdrafts	1,158,018	791,141	2,033,344	1,327,052
Interest on client payables with no fixed repayment terms	53,491	76,919	64,851	111,245
Interest on lease liabilities	7,038	4,173	9,679	9,705
Total interest expense on financial liabilities not at fair value through profit or loss	1,218,547	872,233	2,107,874	1,448,002

10. INCOME TAX EXPENSE

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

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited) (restated)
Current tax:					
Hong Kong profits tax		1,222,073	197,896	1,596,412	859,574
Deferred tax	26	19,656	(14,824)	75,728	25,774
Total tax charge for the period		1,241,729	183,072	1,672,140	885,348

11. DIVIDEND

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
Final dividend declared and paid	a	3,200,672	3,000,000	3,200,672	3,000,000
Interim dividend declared	b	2,600,546	2,400,000	2,600,546	2,400,000

Notes:

- (a) The final dividend for the year ended 31 December 2019 was approved at the annual general meeting of the Company held on 28 May 2020 and was paid on 24 June 2020.
- (b) An interim dividend of HK1.30 cents per share was declared for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK1.20 cents per share).

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 period attributable to ordinary equity holders of the parent of HK\$10,138,734 (2019: HK\$7,881,855 (restated)) and the weighted average number of ordinary shares in issue of 200,012,209 (2019: 200,000,000) during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period, 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 period is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
Profit attributable to equity holders of the Company (HK\$)	6,875,968	2,922,177	10,138,734	7,881,855
Weighted average number of ordinary shares in issue	200,023,978	200,000,000	200,012,209	200,000,000
Effect of dilution – weighted average number of ordinary shares in issue:				
Share options	–	(89,225)	–	(61,123)
	200,023,978	199,910,775	200,012,209	199,938,877
Diluted earnings per share	3.44 HK cents	1.46 HK cents	5.07 HK cents	3.94 HK cents

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use HK\$	Motor vehicles HK\$	Office equipment HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Total HK\$
30 June 2020 (unaudited)							
At 1 January 2020:							
Cost or valuation	53,550,000	926,000	951,694	1,530,048	921,770	1,636,552	59,516,064
Accumulated depreciation	–	(555,328)	(921,294)	(1,092,450)	(865,444)	(1,608,203)	(5,042,719)
Net carrying amount	53,550,000	370,672	30,400	437,598	56,326	28,349	54,473,345
At 1 January 2020, net of accumulated depreciation	53,550,000	370,672	30,400	437,598	56,326	28,349	54,473,345
Additions	–	–	22,397	11,400	63,758	680,800	778,355
Depreciation provided during the period	(966,171)	(69,498)	(7,575)	(79,416)	(15,509)	(25,675)	(1,163,844)
Loss on revaluation	(2,333,829)	–	–	–	–	–	(2,333,829)
At 30 June 2020, net of accumulated depreciation	50,250,000	301,174	45,222	369,582	104,575	683,474	51,754,027
At 30 June 2020:							
Cost or valuation	50,250,000	926,000	974,091	1,541,448	985,528	2,317,352	56,994,419
Accumulated depreciation	–	(624,826)	(928,869)	(1,171,866)	(880,953)	(1,633,878)	(5,240,392)
Net carrying amount	50,250,000	301,174	45,222	369,582	104,575	683,474	51,754,027

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



The leasehold land and buildings of the Group are held in Hong Kong under finance leases and consisted of a carparking space and a commercial property (31 December 2019: a carparking space and a commercial property) and they are carried at fair value. Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK\$11,240,724 as at 30 June 2020 (31 December 2019: HK\$11,448,885).

The fair value of the carparking space with a carrying amount of HK\$2,250,000 (31 December 2019: HK\$2,550,000) was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments. Apart from that, the fair values of all other properties were determined by using a market comparison approach by referencing to the recent sales price of comparable properties on a price per square metre basis. As at the date of the revaluation on 30 June 2020, the fair values of these properties are based on the valuations performed by C S Surveyors Limited (a member of the Hong Kong Institute of Surveyors), an independent professionally qualified valuer. The address of C S Surveyors Limited is 1/F, Kimley Commercial Building, 142–146 Queen's Road Central, Hong Kong.

A revaluation deficit of HK\$2,333,829 (31 December 2019: revaluation deficit of HK\$328,891) was recognised in the property revaluation reserve and in other comprehensive income for the six months ended 30 June 2020.

At 30 June 2020, the Group's land and buildings with a net carrying amount of HK\$48,000,000 (31 December 2019: HK\$51,000,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 24 to the unaudited interim condensed consolidated financial statements.

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

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into			Total HK\$
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$	HK\$	HK\$	
30 June 2020 (unaudited)				
– Commercial				
– Hong Kong	–	–	48,000,000	48,000,000
– Carparking space				
– Hong Kong	–	2,250,000	–	2,250,000
31 December 2019 (audited)				
– Commercial				
– Hong Kong	–	–	51,000,000	51,000,000
– Carparking space				
– Hong Kong	–	2,550,000	–	2,550,000

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the six months ended 30 June 2020 and the year ended 31 December 2019.

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

	Commercial property HK\$
Carrying amount at 1 January 2019 (audited)	53,000,000
Depreciation for the year	(1,639,331)
Loss on revaluation of land and buildings recognised in other comprehensive income	(360,669)
Carrying amount at 31 December 2019 and 1 January 2020 (audited)	51,000,000
Depreciation for the period	(922,350)
Loss on revaluation of land and buildings recognised in other comprehensive income	(2,077,650)
Carrying amount at 30 June 2020 (unaudited)	48,000,000

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

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

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Price per square foot (range)	18,497	19,653

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

14. INVESTMENT PROPERTY

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Carrying amount at beginning of period/year	10,800,000	10,500,000
Net gain from a fair value adjustment (<i>note 6</i>)	–	300,000
Carrying amount at end of period/year	10,800,000	10,800,000

The Group's investment property consists of a residential property at Flat D2, 9/F, King's View Court 901–907 King's Road, Hong Kong.

The directors of the Company engaged an external valuer for the valuation of the Group's property quarterly. The selection criteria for the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The investment property was revalued on 30 June 2020 and 31 December 2019 based on a valuation performed by C S Surveyors Limited, an independent professionally qualified valuer, at HK\$10,800,000.

The investment property is leased to a third party under operating leases, further summary details of which are included in note 15 to the unaudited interim condensed consolidated financial statements.

At 30 June 2020, the Group's investment property with a total carrying amount of HK\$10,800,000 (31 December 2019: HK\$10,800,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 24 to the unaudited interim condensed consolidated financial statements.

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into			Total HK\$
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$	HK\$	HK\$	
30 June 2020 (unaudited)				
– Residential – Hong Kong	–	–	10,800,000	10,800,000
31 December 2019 (audited)				
– Residential – Hong Kong	–	–	10,800,000	10,800,000

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the six months ended 30 June 2020 and the year ended 31 December 2019.

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

	Residential property HK\$
Carrying amount at 1 January 2019 (audited)	10,500,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	300,000
Carrying amount at 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,800,000

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

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Price per square foot (range)	15,698	15,698

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



15. 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 and the movements during the period/year are as follows:

	Office premises As at 30 June 2020 HK\$ (unaudited)	Office premises As at 31 December 2019 HK\$ (audited)
Carrying amount at beginning of period/year	74,747	529,715
Additions	1,394,828	–
Depreciation charge for the period/year	(229,727)	(454,968)
Carrying amount at end of period/year	1,239,848	74,747

(b) Lease liabilities

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

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Carrying amount at beginning of period/year	79,843	545,933
Accretion of interest recognised during the period/year	9,679	13,910
Additions	1,394,828	–
Payments	(240,000)	(480,000)
Carrying amount at end of period/year	1,244,350	79,843
Analysed into:		
Current portion	458,106	79,843
Non-current portion	786,244	–



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

	2020 HK\$ (unaudited)
Interest on lease liabilities	9,679
Depreciation charge of right-of-use assets	229,727
Expense relating to short-term leases (included in other operating expenses)	302,450
	541,856

The Group as a lessor

The Group leases its investment property (note 14) 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 six months ended 30 June 2020 was HK\$156,000 (during the six months ended 30 June 2019: HK\$100,000), details of which are included in note 6 to the unaudited interim condensed consolidated financial statements.

At 30 June 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Within one year	312,000	312,000
After one year but within two years	134,194	290,194
	446,194	602,194

16. INTANGIBLE ASSETS

		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Trading right	a	1	1
Software	b	564,202	611,664
		564,203	611,665

Notes:

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

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

	Software HK\$
30 June 2020 (unaudited)	
At 1 January 2020:	
Cost	1,180,000
Accumulated amortisation	(568,336)
Net carrying amount	611,664
At 1 January 2020, net of accumulated amortisation:	611,664
Additions	163,050
Amortisation provided during the period	(210,512)
At 30 June 2020, net of accumulated amortisation	564,202
At 30 June 2020:	
Cost	1,343,050
Accumulated amortisation	(778,848)
Net carrying amount	564,202
31 December 2019 (audited)	
At 1 January 2019:	
Cost	800,000
Accumulated amortisation	(200,000)
Net carrying amount	600,000
At 1 January 2019, net of accumulated amortisation:	600,000
Additions	380,000
Amortisation provided during the year	(368,336)
At 31 December 2019, net of accumulated amortisation	611,664
At 31 December 2019:	
Cost	1,180,000
Accumulated amortisation	(568,336)
Net carrying amount	611,664

17. OTHER ASSETS

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
<hr/>		
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– guarantee fund deposit	302,310	100,000
– admission fee	100,000	100,000
 The Stock Exchange of Hong Kong		
– compensation fund deposit	100,000	100,000
– fidelity fund deposit	100,000	100,000
– stamp duty deposit	75,000	150,000
	<hr/> 677,310 <hr/>	550,000



18. ACCOUNTS RECEIVABLE

		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Margin client receivables	a	167,753,386	132,783,367
Cash client receivables	b	29,811,939	31,744,320
		197,565,325	164,527,687
Less: Allowance for ECL	f	(448,758)	(531,508)
		197,116,567	163,996,179
Clearing house receivables	c	3,473,073	4,357,758
Broker receivables	d	32,714,770	39,272,628
Placing commission receivables	e	8,680	5,380,762
Fee receivables	e	484,383	1,171,865
Other receivables	e	13,514	127,273
		36,694,420	50,310,286
Total accounts receivable		233,810,987	214,306,465

Notes:

(a) Margin client receivables

At 30 June 2020, the Group held securities (excluding bonds) with an aggregate fair value of HK\$623,669,728 (31 December 2019: HK\$412,690,408) and bonds with an aggregate fair value of HK\$16,519,945 (31 December 2019: HK\$16,485,626) 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 ECL, is as follows:

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Cash client receivables		
Within 2 days	15,058,296	19,985,725
Past due		
– Over 2 days but less than 1 month	7,407,305	8,239,892
– Over 1 month but less than 3 months	3,820,745	419,631
– Over 3 months but less than 12 months	3,180,175	2,749,863
– Over 12 months but less than 2 years	33,304	340,837
– Over 2 years	312,114	8,372
	29,811,939	31,744,320

Management assessed the fair value of the securities held by the Group of each individual client who had shortfall and provision for impairment losses of HK\$141,486 was made as at 30 June 2020 (31 December 2019: provision for impairment losses of HK\$136,584).

(c) Clearing house receivables

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

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Clearing house receivables		
Within 2 days	3,473,073	4,357,758

As at 30 June 2020, included in receivables from clearing houses was a net receivable from HKSCC of HK\$3,473,073 (31 December 2019: HK\$4,357,758), with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 34 to the unaudited interim condensed consolidated financial statements.

(d) Broker receivables

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

(e) Receivables from other major service lines

Placing commission receivables, 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:

	Stage 1	Stage 2	Stage 3	Total
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2019 (audited)	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 and 1 January 2020 (audited)	261,955	60,906	208,647	531,508
Transfer to stage 1	60,635	(60,510)	(125)	–
Transfer to stage 2	(165)	165	–	–
Transfer to stage 3	(8)	–	8	–
Change arising from transfer of stages	(60,296)	(160)	15,200	(45,256)
Other remeasurement of loss allowance	(47,129)	712	8,923	(37,494)
As at 30 June 2020 (unaudited)	214,992	1,113	232,653	448,758
Arising from:				
Margin client receivables	34,395	1,113	91,167	126,675
Cash client receivables	180,597	–	141,486	322,083
	214,992	1,113	232,653	448,758
ECL rate				
Margin client receivables	0.02%	0.01%	91.42%	0.08%
Cash client receivables	0.61%	N/A	99.96%	1.08%

Impairment under HKFRS 9 for the six months ended 30 June 2020

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the decrease in credit loss allowance during the six months ended 30 June 2020:

- Transfer of client receivables of HK\$4,896,892 from stage 2 to stage 1 and HK\$125 from stage 3 to stage 1, resulting in a decrease in credit loss allowance of HK\$60,510 and HK\$125, respectively;
- Decrease in cash client receivables of HK\$1,932,381, which is related to the repayment from existing clients; and
- For all stage 3 gross margin client and cash client receivables amounting to HK\$241,267, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$8,614.

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.

19. PREPAYMENTS AND OTHER RECEIVABLES

		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Prepayments, other debtors and deposits		5,875,512	2,527,182
Due from a holding company	a	260,853	60,853
		6,136,365	2,588,035

As at 30 June 2020, none of the other receivables were impaired (31 December 2019: Nil).

Note:

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Investments designated at fair value through profit or loss:			
Listed equity securities – Hong Kong	(i)	14,781,360	9,135,767

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

Note:

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

As at 30 June 2020, listed equity securities with a carrying value of HK\$10,247,160 (31 December 2019: HK\$7,751,667) were pledged to secure banking facilities granted to the Group as further detailed in note 24 to unaudited interim condensed consolidated financial statements.

21. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Bank balances	33,952,369	17,760,113
Cash in hand	4,371	5,924
Total cash and cash equivalents	33,956,740	17,766,037
Denominated in:		
Hong Kong Dollars	15,979,952	8,919,804
Renminbi	15,288,649	3,774,387
United States Dollars	2,482,403	4,894,765
Others	205,736	177,081

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business. At 30 June 2020, client money maintained in segregated accounts not otherwise dealt with in the unaudited interim condensed consolidated financial statements amounted to HK\$251,567,482 (31 December 2019: HK\$245,737,500).

22. ACCOUNTS PAYABLE

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Margin and cash client payables	26,099,359	3,900,585
Due to clearing houses	2,255,300	11,984,135
Broker payables	4,059,522	295,750
Insurer payables	–	118,670
	32,414,181	16,299,140

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 30 June 2020, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$2,255,300 (31 December 2019: HK\$11,984,135) with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 34 to the unaudited interim condensed consolidated financial statements.

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

23. OTHER PAYABLES AND ACCRUALS

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Current		
Bank loans – secured	96,200,000	69,000,000

At 30 June 2020, bank loans were secured by clients' securities and securities held by the Group amounting to HK\$90,577,564 (31 December 2019: HK\$80,332,234), leasehold land and buildings and investment property of the Group with an aggregate carrying value amounting to HK\$58,800,000 (31 December 2019: HK\$61,800,000).

The bank borrowings are repayable within 1 year. The directors consider that the carrying amounts of bank borrowings at the reporting period end date approximate their fair values.

The effective interest rates for bank loans are floating rates ranging from 1.70% to 6.20% (during the year ended 31 December 2019: 1.70% to 5.90%) per annum.

25. PROVISIONS

	Provision for loss on guaranteed contracts with customers	Other provisions	Total
	HK\$	HK\$	HK\$
At 1 January 2019 (audited)	2,482,767	197,663	2,680,430
Transfer/reversal of provision	(2,482,767)	(27,149)	(2,509,916)
At 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	–	170,514	170,514

In prior years, the Group entered into loss protection discretionary account management agreements with 2 customers for asset management services provided. The amount of the provision for loss on guaranteed contracts with customers is estimated based on the fair value of the portfolio of assets held at the end of the reporting period. All the guaranteed contracts expired in 2019.

26. DEFERRED TAX LIABILITIES

Deferred tax is calculated in full on temporary differences under the liability method using a statutory tax rate of 16.5% (31 December 2019: 16.5%). The movements of the deferred tax liabilities for the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	30 June 2020 (unaudited)			Total HK\$
	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Impairment of financial assets HK\$	
At 1 January 2020 (audited)	618,787	7,173,947	(53,272)	7,739,462
Deferred tax charged to the statement of profit or loss during the period	58,113	–	17,615	75,728
Deferred tax recognised in other comprehensive income	–	(385,082)	–	(385,082)
At 30 June 2020 (unaudited)	676,900	6,788,865	(35,657)	7,430,108
	31 December 2019 (audited)			
	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Impairment of financial assets HK\$	Total HK\$
At 1 January 2019 (audited)	597,337	7,228,214	(43,491)	7,782,060
Deferred tax charged/(credited) to the statement of profit or loss during the year	21,450	–	(9,781)	11,669
Deferred tax recognised in other comprehensive income	–	(54,267)	–	(54,267)
At 31 December 2019 (audited)	618,787	7,173,947	(53,272)	7,739,462

27. SHARE CAPITAL

Shares

Authorised shares

As at 30 June 2020, the total number of authorised ordinary shares is 2,000,000,000 (31 December 2019: 2,000,000,000) with a par value of HK\$0.01 per share (31 December 2019: HK\$0.01 per share).

Issued and fully paid

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Issued and fully paid:		
200,042,000 (31 December 2019: 200,000,000) ordinary shares	2,000,418	1,999,998

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

	Note	Number of shares in issue	Share capital HK\$
As at 1 January 2019, 31 December 2019 and 1 January 2020 (audited)		200,000,000	1,999,998
Share options exercised	a	42,000	420
As at 30 June 2020 (unaudited)		200,042,000	2,000,418

Note:

- (a) The subscription rights attaching to 42,000 share options were exercised at the subscription price of HK\$1.25 per share (note 28), resulting in the issue of 42,000 shares for a total cash consideration, before expenses, of HK\$52,500. No share option reserve was transferred to share capital upon exercise of the share options.



Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the unaudited interim condensed consolidated financial statements.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Group. No share options were granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates. The Scheme became effective on 14 June 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on 17 May 2020.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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


The following share options were outstanding under the Scheme during the six months ended 30 June 2020 and the year ended 31 December 2019:

Number of share options as at 1 January 2019 (audited)	–
Granted during the year	1,737,000
Forfeited during the year	(325,000)
<hr/>	
Number of share options as at 31 December 2019 and 1 January 2020 (audited)	1,412,000
Exercised during the period	(42,000)
Expired during the period	(1,370,000)
<hr/>	
Number of share options as at 30 June 2020 (unaudited)	–

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2020 was HK\$1.25 per share (during the year ended 31 December 2019: No share options were exercised).

The fair value of the share options granted on 18 January 2019 recognised during the six months ended 30 June 2020 was HK\$10,460 (HK\$0.01 each) (during the year ended 31 December 2019: HK\$277,321, HK\$0.16 each), of which no share option expense was recognised during the six months ended 30 June 2020 (during the year ended 31 December 2019: the Group recognised a share option expense of HK\$225,433) due to lapse of the share options in May 2020.





The fair value of equity-settled share options granted on 18 January 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 18 January 2019
Dividend yield (%)	0.00
Expected volatility (%)	26.80
Historical volatility (%)	26.80
Risk-free interest rate (%)	1.90
Expected life of options (year)	1.33
Weighted average share price (HK\$ per share)	1.25

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 42,000 share options exercised during the six months ended 30 June 2020 resulted in the issue of 42,000 ordinary shares of the Company and new share capital of HK\$420 (before issue expenses), as further detailed in note 27 to the unaudited interim condensed consolidated financial statements.

All the share options expired under the Scheme at the end of the reporting period.

29. RESERVES

The amounts of the Group's reserves and the movements for the periods ended 30 June 2020 and 2019 are presented in the unaudited interim condensed consolidated statement of changes in equity.

Merger reserve

The merger reserve of the Group represents the share capital of the holding company of the Group prior to the completion of the reorganisation on 25 May 2017 and decreased due to the acquisition of Victory Insurance on 15 August 2019.

30. BUSINESS COMBINATIONS UNDER COMMON CONTROL

As detailed in note 2 to the unaudited interim condensed consolidated financial statements, the Acquisition was regarded as a business combination under common control and accounted for using the merger accounting method. The unaudited interim condensed consolidated financial statements are prepared as if the Acquisition had been completed at the beginning of accounting periods as presented in these unaudited interim condensed 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 is as follows:

	As at 31 December 2019 (audited)			
	Before	Entity under	Adjustment	After
	combination	common		combination
	HK\$	HK\$	HK\$	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

31. NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank and other loans	Lease liabilities
	HK\$	HK\$
At 1 January 2019 (audited)	76,500,000	545,933
Changes from financing cash flows	(7,500,000)	(466,090)
Interest expense	–	13,910
Interest paid classified as operating cash flows	–	(13,910)
At 31 December 2019 and 1 January 2020 (audited)	69,000,000	79,843
Changes from financing cash flows	27,200,000	(230,321)
Additions	–	1,394,828
Interest expense	–	9,679
Interest paid classified as operating cash flows	–	(9,679)
At 30 June 2020 (unaudited)	96,200,000	1,244,350

(b) Total cash outflow for leases

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

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Within operating activities	302,450	327,190
Within financing activities	240,000	480,000
	542,450	807,190

32. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended	
		30 June	
		2020	2019
		HK\$	HK\$
		(unaudited)	(unaudited)
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:			
Brokerage income	a	2,809	3,875
Interest income	b	20	–
Interest expense	b	–	(59)
Key management personnel:			
Brokerage income	a	131,346	18,710
Commission expenses	a	(1,742,828)	(125,358)
Interest income	b	375,714	209,522
Interest expense	b	(2,333)	(479)
Related companies:			
Victory Global Trustee Company Limited			
– Brokerage income	a	252,309	82,846
– Interest income	b	28,621	41,294
– Asset management fee	c	479,467	82

Notes:

- (a) The brokerage income and commission expense were based on terms stipulated on the agreements entered between the contracting parties. The commission expense was part of the remuneration of these related parties.
- (b) The interest income received from and interest expense paid to securities financing were based on the rates which are substantially in line with those normally received by the Group from third parties.
- (c) The asset management fee was based on terms stipulated on the agreement entered between the contracting parties.

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

	As at 30 June 2020 HK\$ (unaudited)	As at 31 December 2019 HK\$ (audited)
Close family members of Kou Kuen, Chan Ying Kit and Chan Pui Chuen:		
Accounts payable	(117,018)	(44,402)
Key management personnel:		
Accounts receivable	13,718,423	6,206,992
Accounts payable	(37,765)	(2,189)
Victory Global Trustee Company Limited		
Accounts receivable	1,875,959	–
Accounts payable	–	(4,929,280)
Dr. TT Kou's Family Company Limited		
Other receivables	260,853	60,853

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


Except for the accounts receivable and accounts payable and the loan terms as mentioned above, the related party balances are unsecured, interest-free and have no fixed repayment terms.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments

The Group classified its financial assets in the following categories:

	Financial assets at amortised cost HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
30 June 2020 (unaudited)			
Financial assets included in other assets	677,310	–	677,310
Accounts receivable	233,810,987	–	233,810,987
Financial assets at fair value through profit or loss	–	14,781,360	14,781,360
Financial assets included in prepayments and other receivables	5,381,341	–	5,381,341
Cash and cash equivalents	33,956,740	–	33,956,740
Total	273,826,378	14,781,360	288,607,738



	Financial assets at amortised cost HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
31 December 2019 (audited)			
Financial assets included in other assets	550,000	–	550,000
Accounts receivable	214,306,465	–	214,306,465
Financial assets at fair value through profit or loss	–	9,135,767	9,135,767
Financial assets included in prepayments and other receivables	2,071,653	–	2,071,653
Cash and cash equivalents	17,766,037	–	17,766,037
Total	234,694,155	9,135,767	243,829,922

The Group classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost HK\$
<hr/>	
30 June 2020 (unaudited)	
Accounts payable	32,414,181
Other payables and accruals	5,035,949
Bank borrowings	96,200,000
Lease liabilities	1,244,350
	<hr/>
	134,894,480
	<hr/>
	Financial liabilities at amortised cost HK\$
<hr/>	
31 December 2019 (audited)	
Accounts payable	16,299,140
Other payables and accruals	11,559,287
Bank borrowings	69,000,000
Lease liabilities	79,843
	<hr/>
	96,938,270
	<hr/>

(b) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into			Total HK\$
	(Level 1) HK\$	(Level 2) HK\$	(Level 3) HK\$	
30 June 2020 (unaudited)				
– Financial assets at fair value through profit or loss	14,781,360	–	–	14,781,360
31 December 2019 (audited)				
– Financial assets at fair value through profit or loss	9,135,767	–	–	9,135,767

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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

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

34. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (“CNS”) money obligations receivable and payable with HKSCC; and the Group intends to settle on a net basis as accounts receivable from or accounts payable to HKSCC. For the net amount of CNS money obligations receivable or payable with HKSCC and the Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Group does not intend to settle the balances on a net basis.

			Related amounts not offset in the statement of financial position		
	Gross amount of recognised financial assets	Gross amount of recognised liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Cash collateral received	Net amount
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2020					
(unaudited)					
Account receivable due from a clearing house	47,225,712	(43,752,639)	3,473,073	–	3,473,073
As at 31 December 2019					
(audited)					
Account receivable due from a clearing house	72,238,998	(67,881,240)	4,357,758	–	4,357,758

			Related amounts not offset in the statement of financial position		
	Gross amount of financial liabilities	Gross amount of assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Cash collateral pledged	Net amount
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2020 (unaudited)					
Account payable due to a clearing house	46,007,939	(43,752,639)	2,255,300	–	2,255,300
As at 31 December 2019 (audited)					
Account payable due to a clearing house	79,865,375	(67,881,240)	11,984,135	–	11,984,135

35. COMPARATIVE AMOUNTS

As disclosed in note 2 to the unaudited interim condensed consolidated financial statements, the Company's acquisition of an entity under common control was accounted for using the merger accounting method and accordingly the comparative amounts in these unaudited interim condensed consolidated financial statements have been restated as if the combination had occurred at the beginning of the accounting period as presented in these unaudited interim condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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.

BUSINESS REVIEW, OUTLOOK AND PROSPECTS

The economy of Hong Kong, People's Republic of China (the "PRC") and the other parts of the world were full of challenges since the commencement of the year 2020. The worldwide outbreak of COVID-19 has reduced the motivation for an outbound investment from different investors and they tends to be more prudence in making investment decisions. These unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group's operations and led to an adverse impact on the revenue from the securities brokerage business.

Despite the uncertainties regarding both regional and global economic outlook, the Group has completed several placing exercises during the six months ended 30 June 2020. The Group has also diversified its income streams from the successful application of the Type 6 License and completion of the acquisition of the insurance consultancy business in the second half of the year 2019, which help to further expanded the profit-making ability of the Group. This enables the Group to cope with the increased competitiveness and volatility in the securities industry and compensate for the decrease in revenue from the traditional securities brokerage business. The Group will continue to expand its customer base through launching 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 play a more active role in participating in other financial 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 vertical development. The Group is applying for new asset management licenses to expand the scale of the asset management segment and will also seek for business opportunities in this segment through acquisitions. Moreover, the Group will continue to explore for opportunities in the financial advisory services 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.

Despite the competitive and volatile operating environment in the securities industry, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

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.

INTRODUCTION TO BUSINESS SECTORS

(1) **Securities/futures broking services, 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 excellent services. Income from securities broking services is primarily derived from the provision of brokerage services to customers to trade securities listed on the Stock Exchange and eligible securities traded through the securities trading and clearing linked program developed by the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation, as well as enabling customers to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States (the “US”) and B shares in the PRC.

Revenue generated from securities broking services accounted for approximately 52.6% and 59.3% of the total revenue for the six months ended 30 June 2020 and 2019, 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 5.2% and 4.4% of the total revenue for the six months ended 30 June 2020 and 2019, 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 services accounted for approximately 0.2% and 2.9% of the total revenue for the six months ended 30 June 2020 and 2019, respectively.

Others

The Group also derives (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; and (ii) interest income from the deposits, which accounted for approximately 8.9% and 7.4% of the total revenue for the six months ended 30 June 2020 and 2019, 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 six months ended 30 June 2020 and 2019, approximately 24.6% and 20.7% 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 1.0% of the total revenue for the six months ended 30 June 2020 and 2019, respectively.

The Group is planning to expand asset management services by setting up private funds in the near future, and is in the process of applying for new asset management licenses to expand the scale of the asset management segment. With the enhancement of the research capabilities and asset management service through the application of fund raised from the Company's IPO in 2018, 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 3.7% for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



(5) Insurance consultancy services

The Group has successfully acquired Victory Insurance, an insurance consultancy services provider in 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 six months ended 30 June 2020 and 2019 (restated), approximately 2.4% and 4.3% of the total revenue was derived from insurance consultancy services.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the six months ended 30 June 2020 and 2019 are summarized as below:

	For the six months ended 30 June			
	2020	2019	Differences	Change
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
	(unaudited)	(unaudited)		
		(restated)		
Securities/futures broking services, placing and underwriting services and advising on securities services	21,610	23,725	(2,115)	(8.9)
Financing services	7,953	6,620	1,333	20.1
Asset management services	789	326	463	142.0
Financial advisory services	1,208	–	1,208	N/A
Insurance consultancy services	746	1,386	(640)	(46.2)
Total	32,306	32,057	249	0.8

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

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020 (HK\$'000) (unaudited)	2019 (HK\$'000) (unaudited) (restated)	Differences (HK\$'000)	Change (%)
Brokerage services	16,987	19,015	(2,028)	(10.7)
Placing and underwriting services	1,665	1,403	262	18.7
Advising on securities services	78	940	(862)	(91.7)
Others	2,880	2,367	513	21.7
Total	21,610	23,725	(2,115)	(8.9)

(a) Brokerage services

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$16.99 million from the brokerage services, representing a decrease of approximately 10.7% as compared to the revenue of approximately HK\$19.02 million for the six months ended 30 June 2019. This was mainly due to decrease in brokerage income derived from the Hong Kong stock market due to unfavourable investment sentiment in the local and global financial markets as a result of the worldwide outbreak of COVID-19.



(b) *Placing and underwriting services*

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$1.67 million from the placing and underwriting services, representing an increase of approximately 18.7% as compared to the revenue of approximately HK\$1.40 million for the six months ended 30 June 2019. This was mainly due to successful completion of several placing exercises for listed clients during the six months ended 30 June 2020 despite the unfavourable investment sentiment.

(c) *Advising on securities services*

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$0.08 million from the advising on securities services, representing a decrease of approximately 91.7% as compared to the revenue of approximately HK\$0.94 million for the six months ended 30 June 2019. Revenue from this sector was derived from giving research reports and analysis and the amount decreased mainly due to decrease in engagements when compared to the six months ended 30 June 2019.

(d) *Others*

Other services mainly represented (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. For the six months ended 30 June 2020, the Group recorded a revenue from other services of approximately HK\$2.88 million, representing an increase of approximately 21.7% as compared to the revenue of approximately HK\$2.37 million for the six months ended 30 June 2019. The increase of revenue from such other services was mainly due to increase in handling fee income for the subscription of shares from IPO.

(2) *Financing services*

For the six months ended 30 June 2020, the Group recorded interest income of approximately HK\$7.95 million from financing services, representing an increase of approximately 20.1% as compared to the revenue of approximately HK\$6.62 million for the six months ended 30 June 2019. This was mainly due to the 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 six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$0.79 million from asset management services, representing an increase of approximately 142.0% as compared to the revenue of approximately HK\$0.33 million for the six months ended 30 June 2019. The increase was mainly due to increase in revenue from new customers when compared to the six months ended 30 June 2019.

(4) *Financial advisory services*

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$1.21 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 six months ended 30 June 2020, the Group recorded revenue of approximately HK\$0.75 million from insurance consultancy services, representing a decrease of approximately 46.2% as compared to the revenue of approximately HK\$1.39 million for the six months ended 30 June 2019 (restated). 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\$4.36 million for the six months ended 30 June 2020, representing an increase of approximately 154.0% as compared to the amount of approximately HK\$1.71 million for the six months ended 30 June 2019 (restated). Such increase was mainly due to increase in fair value gains on financial assets at fair value through profit or loss, gross rental income and government subsidy from the Employment Support Scheme of approximately HK\$2.57 million, HK\$0.06 million and HK\$0.41 million, respectively, when compared to the six months ended 30 June 2019.

Commission expenses

The following is the breakdown on commission expenses:

	For the six months ended 30 June			
	2020	2019	Differences	Change
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(%)
	(unaudited)	(unaudited)		
		(restated)		
Commission for brokerage services	5,224	4,398	826	18.8
Commission for insurance consultancy services	233	671	(438)	(65.3)
Total	5,457	5,069	388	7.7

Commission expenses for the six months ended 30 June 2020 was approximately HK\$5.46 million, representing an increase of approximately 7.7% as compared to the commission expenses of approximately HK\$5.07 million for the six months ended 30 June 2019 (restated), which was mainly due to the increase in commission expenses from trading in Stock-Connect shares as well as from the placing and underwriting services.

Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 57.5% (2019: 69.3%) of the total other operating expenses. Other operating expenses for the six months ended 30 June 2020 was approximately HK\$6.34 million, representing a decrease of approximately 25.9% as compared to the other operating expenses of approximately HK\$8.56 million for the six months ended 30 June 2019 (restated), mainly due to:

- (i) decrease in exchange and clearing fee of approximately HK\$1.25 million due to cessation of warrant trading which involved higher fee since March 2019;
- (ii) decrease in information services expenses of approximately HK\$0.84 million due to decrease in expenses related to system improvement; and
- (iii) decrease in staff welfare expenses of approximately HK\$0.30 million.

However, the effect was partly offset by the increase in miscellaneous expenses of approximately HK\$0.17 million for the six months ended 30 June 2020.

Profit for the period attributable to owners of the parent

Profit for the six months ended 30 June 2020 was approximately HK\$10.14 million, representing an increase of approximately 28.6% as compared to the profit of approximately HK\$7.88 million for the six months ended 30 June 2019 (restated) mainly due to:

- (i) increase in fair value gains on financial assets at fair value through profit or loss in which amount of approximately HK\$3.70 million was recorded for the period ended 30 June 2020, when compared to a fair value gains on financial assets at fair value through profit or loss of approximately HK\$1.13 million for the period ended 30 June 2019; and
- (ii) decrease in other operating expenses in which amount of approximately HK\$6.34 million was recorded for the period ended 30 June 2020, when compared to other operating expenses of approximately HK\$8.56 million for the period ended 30 June 2019 (restated).





However, the effect was partly offset by the following:

- (i) increase in staff costs in which amount of approximately HK\$9.64 million was recorded for the period ended 30 June 2020, when compared to staff costs of approximately HK\$8.30 million for the period ended 30 June 2019 (restated); and
- (ii) increase in finance costs in which amount of approximately HK\$2.11 million was recorded for the period ended 30 June 2020, when compared to finance costs of approximately HK\$1.45 million for the period ended 30 June 2019.

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 six months ended 30 June 2020, 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 six months ended 30 June 2020, in which net cash used in operating activities amounted to approximately HK\$2.80 million (for the six months ended 30 June 2019: net cash used in operating activities of approximately HK\$3.44 million (restated)). As at 30 June 2020, aggregate of bank and cash balances of the Group amounted to approximately HK\$33.96 million (as at 31 December 2019: approximately HK\$17.77 million), which were substantially denominated in Hong Kong dollars (“**HK\$**”).

As at 30 June 2020, the Group's current assets and current liabilities were approximately HK\$288.69 million (as at 31 December 2019: approximately HK\$243.84 million) and approximately HK\$135.09 million (as at 31 December 2019: approximately HK\$97.23 million), respectively. As at 30 June 2020, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.14 times (as at 31 December 2019: approximately 2.51 times).

As at 30 June 2020, the short-term bank borrowings of the Group were HK\$96.20 million (as at 31 December 2019: HK\$69.00 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 30 June 2020 and 31 December 2019 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 30 June 2020 was approximately 27.2% (as at 31 December 2019: approximately 22.3%).

The Group's investments are mainly financial assets at fair value through profit or loss. As at 30 June 2020, the market value of which were approximately HK\$14.78 million (as at 31 December 2019: approximately HK\$9.14 million) and are equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 30 June 2020 and 31 December 2019. As at 30 June 2020, total equity attributable to owners of the Company amounted to approximately HK\$210.42 million (as at 31 December 2019: approximately HK\$205.38 million).





Use of Proceeds from Share Offer

Proceeds received from the issuance of 50 million ordinary shares (“**Offer Shares**”) by share offer at HK\$1.25 per share (“**Share Offer**”) was HK\$62.5 million. Net proceeds after deduction of listing expenses were 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 2019

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 30 June 2020 and the remaining balance of Net Proceeds after the revised allocation as at 30 June 2020 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 30 June 2020 (HK\$ million)	The remaining balance of Net Proceeds after the revised allocation as at 30 June 2020 (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	1.0	1.0
Working capital and other general corporate purposes	2.9	2.9	2.9	–
Total	44.0	44.0	41.5	2.5

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 30 June 2020
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 fully utilized in the year 2021*
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 will be fully utilized in year 2020*

* The unused Net Proceeds were deposited in a licensed bank in Hong Kong. The Board closely monitored the use of Net Proceeds with reference to the use of proceeds disclosed in the Prospectus and the announcement dated 24 June 2019 and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus and the announcement dated 24 June 2019. Due to the outbreak of COVID-19, the Group's plan to expand client network with a focus on high net worth and institutional clients has been delayed. The balance of the unutilised proceeds of approximately HK\$1.50 million is expected to be utilised in the year 2021.

PLEDGE OF ASSETS

As at 30 June 2020 and 31 December 2019, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$90.58 million and HK\$80.33 million, respectively, and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to HK\$58.80 million and HK\$61.80 million as at 30 June 2020 and 31 December 2019, 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 15 to the unaudited interim condensed consolidated financial statements, the Group had no other commitments as at 30 June 2020 and 31 December 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019.

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 30 of the unaudited interim condensed consolidated financial statements, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the six months ended 30 June 2020.





IMPACT ON COVID-19

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 46 full-time employees (as at 31 December 2019: 45), including all executive and non-executive directors but excluding independent non-executive directors. During the six months ended 30 June 2020, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK\$9.64 million (for the six months ended 30 June 2019: approximately HK\$8.30 million (restated)).

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

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

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

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
Ms. Kou Kuen ⁽¹⁾	Interested in a controlled corporation	110,193,750	55.09%
	Beneficial owner	2,100,000	1.05%
Mr. Chan Ying Kit ^{(1) and (2)}	Interest of spouse	112,293,750	56.14%
Mr. Chiu Che Leung, Stephen	Beneficial owner	3,000,000	1.50%

Notes:

- (1) Dr. TT Kou's Family Company Limited ("DTTKF") is the registered owner of 110,193,750 shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90% respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.
- (2) Mr. Chan Ying Kit is the spouse of Ms. Kou Kuen. Under the SFO, Mr. Chan Ying Kit is deemed to be interested in the same number of shares in which Ms. Kou Kuen is interested.

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

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	% of the total number of issued shares of the corporation
Ms. Kou Kuen	DTTKF	Beneficial owner	111,031,667	75.57%
Mr. Chan Pui Chuen	DTTKF	Beneficial owner	20,640,000	14.05%
Mr. Chan Ying Kit	DTTKF	Beneficial owner	10,000,000	6.81%

Save as disclosed above, as at 30 June 2020, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

Name of Shareholder	Capacity/ Nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
DTTKF ⁽¹⁾	Beneficial owner	110,193,750	55.09%

Note:

- (1) DTTKF is the registered owner of 110,193,750 shares, representing 55.09% of the issued share capital of the Company. DTTKF is owned by Ms. Kou Kuen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ko Yuen Kwan and Mr. Ko Yuen Fai in the proportion of approximately 75.57%, 14.05%, 6.81%, 2.67% and 0.90%, respectively. Accordingly, Ms. Kou Kuen is deemed to be interested in all shares held by DTTKF under the SFO.

Save as disclosed above, as at 30 June 2020, the Company has not been notified by any persons, other than the Directors and the chief executives who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018. For the principal terms of the Share Option Scheme, please refer to the section headed “Share Option Scheme” in the “Report of the Directors” of the annual report 2019. The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme during the six months ended 30 June 2020 are set out as follows:

Category of participants	Date of grant ⁽¹⁾	Exercise and vesting period	Exercise price per share (HK\$)	Number of share options					
				Outstanding as at 1 January 2020	Granted during the period	Lapsed or forfeited during the period	Exercised during the period	Cancelled during the period	Outstanding as at 30 June 2020
				Employees	18 January 2019	18 January 2020 to 17 May 2020	1.25	1,412,000	-
Total				1,412,000	-	(1,370,000)	(42,000)	-	-

Note:

- (1) The Company received a consideration of HK\$1.00 from each of the grantees for the Options granted on 18 January 2019.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2020.

DIVIDEND

The Board has resolved to declare an interim dividend of HK1.30 cents (2019: HK1.20 cent) per share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 21 August 2020.

It is expected that the payment of the interim dividend will be made on or before Friday, 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Company's shareholders' entitlement to the 2020 interim dividend, the register of members of the Company will also be closed from Thursday, 20 August 2020 to Friday, 21 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2020 interim 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 for registration not later than 4:30 p.m. on Wednesday, 19 August 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealings**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings throughout the six months ended 30 June 2020.





COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed “Continuing Connected Transactions” in the “Report of the Directors” in the annual report 2019 and the announcement of the Company dated 19 June 2020, 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 six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and achieving a high standard of corporate governance practices within the Group and complying with regulatory requirements, to securing and inspiring confidence of shareholders of the Company as well as potential investors and enhance the business growth of the Group.

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 six months ended 30 June 2020, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

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 30 June 2020 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

An Audit Committee of the Board was established on 14 June 2018, and its written terms of reference was adopted in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee, with the majority of its members being independent non-executive Directors, consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Ying Wing Ho Peter (chairman of the Committee), Dr. Yan Ka Shing and Mr. Chan Ying Kit with written terms of reference in accordance with code provision C.3.3 and C.3.7 of CG Code.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable requirements, and that adequate disclosures have been made.

By Order of the Board

Victory Securities (Holdings) Company Limited

Mr. Chan Ying Kit

Chairman

Hong Kong, 5 August 2020

As at the date of this report, 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.