



**Victory Securities (Holdings) Company Limited**

**勝利證券(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8540)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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

## FINANCIAL HIGHLIGHTS

	For the year ended 31 December			
	2020	2019	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
Revenue	<b>80,555</b>	62,234	18,321	29.4
Staff costs	<b>27,098</b>	20,615	6,483	31.4
Other operating expenses	<b>13,282</b>	15,900	(2,618)	(16.5)
Profit for the year	<b>23,184</b>	9,415	13,769	146.2
Basic and diluted earnings per share ( <i>in HK cents</i> )	<b>11.74</b>	4.71		

Revenue for the year ended 31 December 2020 was approximately HK\$80.56 million, representing an increase of approximately 29.4% as compared to the revenue of approximately HK\$62.23 million for the year ended 31 December 2019, reflecting the increase in revenue from securities and brokerage business, handling fee services, financing services, asset management services, employees' share option scheme services, and also from the new business line of financial advisory services. The new business has compensated the decrease in revenue mainly from the placing and underwriting services and insurance consultancy services.

Profit for the year ended 31 December 2020 was approximately HK\$23.18 million, representing an increase of approximately 146.2% as compared to the profit of approximately HK\$9.42 million for the year ended 31 December 2019 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\$5.80 million was recorded for the year ended 31 December 2020, when compared to a fair value gains on financial assets at fair value through profit or loss of approximately HK\$0.37 million for the year ended 31 December 2019;
- (ii) increase in revenue for the year ended 31 December 2020, when compared to the year ended 31 December 2019; and
- (iii) decrease in other operating expenses where approximately HK\$13.28 million was recorded for the year ended 31 December 2020, when compared to other operating expenses of approximately HK\$15.90 million for the year ended 31 December 2019, mainly due to decrease in exchange and clearing fee and information services expenses.

However, the effect was partly offset by the following:

- (i) increase in staff costs where approximately HK\$27.10 million was recorded for the year ended 31 December 2020, when compared to staff costs of approximately HK\$20.62 million for the year ended 31 December 2019, in order to cope with the increase in business scope;
- (ii) increase in commission expenses where approximately HK\$12.32 million was recorded for the year ended 31 December 2020, when compared to commission expenses of approximately HK\$11.01 million for the year ended 31 December 2019, mainly due to the increase in commission expenses from trading in Stock-Connect shares.
- (iii) increase in finance costs where approximately HK\$5.16 million was recorded for the year ended 31 December 2020, when compared to finance costs of approximately HK\$3.23 million for the year ended 31 December 2019, which is in line with the increase in interest income from financing services.

A final dividend of HK1.70 cents per share for the year ended 31 December 2020 (for the year ended 31 December 2019: HK1.60 cents) was recommended by the board of Directors (the “**Board**”) and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

The Board of the Company and its subsidiaries (collectively, the “Group”) is pleased to present the consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK\$	2019 HK\$
<b>Revenue</b>	5		
Revenue from contracts with customers		<b>58,586,467</b>	47,816,695
Interest income		<b>21,968,446</b>	14,416,829
		<b>80,554,913</b>	62,233,524
Other income and gains, net	6	<b>8,616,127</b>	1,545,395
		<b>89,171,040</b>	63,778,919
Commission expenses		<b>(12,320,738)</b>	(11,011,115)
Depreciation and amortisation		<b>(3,566,289)</b>	(3,243,138)
Staff costs	7	<b>(27,098,080)</b>	(20,615,471)
Other operating expenses		<b>(13,282,296)</b>	(15,900,018)
Charge for allowance for expected credit losses on accounts receivable, net		<b>(1,103,412)</b>	(179,591)
Share-based payment expenses		<b>(10,474)</b>	(225,433)
Finance costs	9	<b>(5,156,299)</b>	(3,227,510)
<b>PROFIT BEFORE TAX</b>	8	<b>26,633,452</b>	9,376,643
Income tax (expense)/credit	10	<b>(3,449,936)</b>	38,013
<b>PROFIT FOR THE YEAR</b>		<b>23,183,516</b>	9,414,656
Attributable to:			
Owners of the parent		<b>23,183,516</b>	9,414,656
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted ( <i>in HK cents</i> )	12	<b>11.74</b>	4.71

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u>23,183,516</u>	<u>9,414,656</u>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	976,374	–
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Loss on revaluation of land and buildings held for own use		
– gross loss	(5,472,294)	(328,891)
– income tax effect	<u>902,929</u>	<u>54,267</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<u>(3,592,991)</u>	<u>(274,624)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>19,590,525</u></u>	<u><u>9,140,032</u></u>
Attributable to:		
Owners of the parent	<u><u>19,590,525</u></u>	<u><u>9,140,032</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	Notes	HK\$	HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		52,882,103	54,473,345
Investment property		10,700,000	10,800,000
Intangible assets		340,355	611,665
Investments in an associate		1,396,870	–
Financial assets at fair value through profit or loss		3,713,966	–
Other assets		763,978	624,747
<b>Total non-current assets</b>		<b>69,797,272</b>	<b>66,509,757</b>
<b>CURRENT ASSETS</b>			
Accounts receivable	14	384,821,689	214,306,465
Prepayments and other receivables		8,205,742	2,588,035
Financial assets at fair value through profit or loss		8,514,070	9,135,767
Tax recoverable		–	43,348
Cash and cash equivalents		30,335,158	17,766,037
<b>Total current assets</b>		<b>431,876,659</b>	<b>243,839,652</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	15	137,966,671	16,299,140
Other payables and accruals		13,481,204	11,559,287
Interest-bearing bank and other borrowings		124,554,000	69,000,000
Lease liabilities	13(b)	1,595,877	79,843
Tax payable		2,525,565	124,784
Provisions		182,805	170,514
<b>Total current liabilities</b>		<b>280,306,122</b>	<b>97,233,568</b>
<b>NET CURRENT ASSETS</b>		<b>151,570,537</b>	<b>146,606,084</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>221,367,809</b>	<b>213,115,841</b>

	<i>Notes</i>	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued		<b>4,015,342</b>	–
Lease liabilities	13(b)	<b>1,494,070</b>	–
Deferred tax liabilities		<b>6,916,537</b>	7,739,462
		<u>12,425,949</u>	<u>7,739,462</u>
<b>Total non-current liabilities</b>		<b>12,425,949</b>	7,739,462
Net assets		<b>208,941,860</b>	205,376,379
		<u><u>208,941,860</u></u>	<u><u>205,376,379</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	16	<b>2,000,418</b>	1,999,998
Other reserves		<b>206,941,442</b>	203,376,381
		<u>206,941,442</u>	<u>203,376,381</u>
<b>Total equity</b>		<b>208,941,860</b>	205,376,379
		<u><u>208,941,860</u></u>	<u><u>205,376,379</u></u>

*Notes:*

**1. CORPORATE AND GROUP INFORMATION**

The Company is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at 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 year, the Company's subsidiaries were principally engaged in the businesses of securities/futures/insurance policies broking, placing and underwriting services and advising on securities services, financing services, asset management services, financial advisory services and investment consultancy services in Hong Kong.

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



As at the end of the year, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out 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, asset management services and investment consultancy services
Victory Insurance Consultants Limited	Hong Kong	HK\$1,000,000	–	100%	Provision of insurance consultancy services
Victory Premier SPC	Cayman Islands	US\$50,000	–	100%	Inactive
VSAM Company Limited*	Hong Kong	HK\$1,000,000	–	100%	Inactive
VS Capital Limited	Hong Kong	HK\$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	RMB50,000,000	–	100%	Provision of asset management services
Victory Privilege Fund SPC**	Cayman Islands	US\$0.01	–	100%	Inactive

\* Victory VC Asset Management Company Limited changed its name to VSAM Company Limited on 30 October 2020.

\*\* Victory Privilege Fund SPC was incorporated on 17 July 2020.

## 2.1 BASIS OF PREPARATION

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

### **Acquisition of an entity under common control**

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

As the Company and Victory Insurance were under common control of Ms. Kou Kuen (“**Ms. Kou**”), an ultimate substantial shareholder of both the Company and Victory Insurance since 22 August 2016, and Victory Insurance was ultimately controlled by Ms. Kou both before and after the Acquisition, the Acquisition was regarded as a business combination under common control and accounted for using the merger accounting method in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 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.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) 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.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.
- (d) 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 Coronavirus Disease 2019 (“**COVID-19**”) pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 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.
- (e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>3, 6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3, 5</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS

9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“LIBOR”) as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the “economically equivalent” criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022

and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 9 *Financial Instruments*:** clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- **HKFRS 16 *Leases*:** removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

#### **Judgement**

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

##### **(a) Taxes**

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

## **Estimation uncertainty**

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

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

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

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

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

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

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

As at 31 December 2020, a credit loss allowance of HK\$1,634,920 (2019: HK\$531,508) has been made against margin client and cash client receivables. Further details are set out in note 14(f) to this announcement. Other than the margin client and cash client receivables, no credit loss allowance has been provided for other financial assets as the related credit loss allowances were immaterial.

### **(c) *Valuation of convertible bonds***

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

### **(d) *Leases – estimating the incremental borrowing rate***

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



#### 4. OPERATING SEGMENT INFORMATION

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

- (a) the securities/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 before tax. The adjusted profit 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.

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

**Year ended 31 December 2020**

	Securities/ futures broking services <i>HK\$</i>	Financing services <i>HK\$</i>	Asset management services <i>HK\$</i>	Insurance consultancy services <i>HK\$</i>	Financial advisory services <i>HK\$</i>	Total <i>HK\$</i>
<b>Segment revenue (note 5)</b>						
Services to external customers	48,448,907	21,850,001	6,823,745	1,215,460	2,216,800	80,554,913
Intersegment services	-	-	-	-	126,000	126,000
	<u>48,448,907</u>	<u>21,850,001</u>	<u>6,823,745</u>	<u>1,215,460</u>	<u>2,342,800</u>	<u>80,680,913</u>
<i>Reconciliation:</i>						
Elimination of intersegment services						<u>(126,000)</u>
Revenue						<u><u>80,554,913</u></u>
<b>Segment results</b>	<b>25,856,046</b>	<b>15,621,074</b>	<b>2,148,882</b>	<b>508,948</b>	<b>(460,307)</b>	<b>43,674,643</b>
<i>Reconciliation:</i>						
Other income and gains, net						8,616,127
Corporate and other unallocated expenses						<u>(25,657,318)</u>
Profit before tax						<u><u>26,633,452</u></u>
<b>Other segment information:</b>						
Interest income from clients	<u>-</u>	<u>21,850,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,850,001</u>
Finance costs (other than interest on lease liabilities)	<u>-</u>	<u>(5,125,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,125,515)</u>
Commission expenses	<u>(11,847,503)</u>	<u>-</u>	<u>-</u>	<u>(473,235)</u>	<u>-</u>	<u>(12,320,738)</u>
Charge for allowance for ECLs on accounts receivable, net	<u>-</u>	<u>(1,103,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,103,412)</u>

The depreciation and amortisation for the year ended 31 December 2020 of HK\$3,131,929 (2019: HK\$2,874,802) and HK\$434,360 (2019: HK\$368,336), respectively, are included in the unallocated expenses.

Year ended 31 December 2019

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

#### 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 years ended 31 December 2020 and 2019.

## 5. REVENUE

An analysis of revenue is as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Revenue from contracts with customers	58,586,467	47,816,695
Revenue from other sources		
Interest income calculated using the effective interest method from:		
– clients	21,850,001	13,987,726
– authorised institutions	62,602	251,736
– others	55,843	177,367
	<u>80,554,913</u>	<u>62,233,524</u>

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:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Commission and brokerage income	38,014,845	32,086,902
Placing and underwriting commission income	6,082,517	6,779,249
Income from advising on securities	78,333	1,096,637
Handling fee income	3,944,767	3,285,303
Asset management fee	6,823,745	1,487,112
Financial advisory fee	2,216,800	905,600
Employees' share option scheme income	210,000	120,000
Insurance consultancy fee	1,215,460	2,055,892
	<u>58,586,467</u>	<u>47,816,695</u>

## 6. OTHER INCOME AND GAINS, NET

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>Other income</b>		
Government grant	2,243,168	–
Gross rental income	326,500	126,000
Sundry income	156,164	47,262
	<u>2,725,832</u>	<u>173,262</u>
<b>Trading gains, net</b>		
Fair value gains on financial assets at fair value through profit or loss	5,799,643	370,349
Dividend income from financial assets at fair value through profit or loss	190,652	276,683
Interest income from financial assets at fair value through profit or loss	–	425,101
	<u>5,990,295</u>	<u>1,072,133</u>
<b>Other (loss)/gain, net</b>		
Fair value (loss)/gain on investment property	(100,000)	300,000
	<u>(100,000)</u>	<u>300,000</u>
	<u><u>8,616,127</u></u>	<u><u>1,545,395</u></u>

## 7. STAFF COSTS

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Salaries, allowances and benefits in kind	26,255,338	19,845,086
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	842,742	770,385
	<u>27,098,080</u>	<u>20,615,471</u>

## 8. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
Auditor's remuneration		<b>860,000</b>	810,000
Amortisation		<b>434,360</b>	368,336
Depreciation of property, plant and equipment		<b>2,462,543</b>	2,419,834
Depreciation of right-of-use assets	13(a)	<b>669,386</b>	454,968
Direct operating expenses arising from rental-earning investment property		<b>8,791</b>	4,754
Exchange and clearing fee		<b>1,478,719</b>	2,585,135
Foreign exchange (gain)/loss, net		<b>(497,992)</b>	112,618
Information services expenses		<b>2,256,506</b>	3,434,424
Lease payments not included in the measurement of lease liabilities	13(c)	<b>423,814</b>	327,190
Charge for allowance for ECLs on accounts receivable, net	14	<b>1,103,412</b>	179,591
Reversal of provision for loss on guaranteed contracts with customers		<b>–</b>	(25,856)
Share-based payment expenses		<b>10,474</b>	225,433

## 9. FINANCE COSTS

An analysis of finance costs is as follows:

	<i>Note</i>	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
Interest on bank loans, overdrafts and other loans		<b>4,761,536</b>	3,009,173
Interest on bonds issued		<b>15,342</b>	–
Interest on client payables with no fixed repayment terms		<b>348,637</b>	204,427
Interest on lease liabilities	13(b)	<b>30,784</b>	13,910
Total interest expense on financial liabilities not at fair value through profit or loss		<b>5,156,299</b>	3,227,510

## 10. INCOME TAX EXPENSE/(CREDIT)

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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Current tax:		
Charge for the year	3,318,348	1,033,954
Underprovision/(overprovision) in prior years	51,584	(1,083,636)
	<u>3,369,932</u>	<u>(49,682)</u>
Deferred tax	80,004	11,669
	<u>80,004</u>	<u>11,669</u>
Total tax charge/(credit) for the year	<u><u>3,449,936</u></u>	<u><u>(38,013)</u></u>

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Profit before tax	<u>26,633,452</u>	<u>9,376,643</u>
Tax at the statutory tax rate of 16.5%	4,394,520	1,547,146
Expenses not deductible for tax	2,369,153	1,772,416
Income not subject to tax	(3,198,836)	(2,112,576)
Underprovision/(overprovision) for profits tax in prior years	51,584	(1,083,636)
Tax relief of 8.25% on first HK\$2 million of assessable profits	(165,000)	(165,000)
Others	(1,485)	3,637
	<u>(1,485)</u>	<u>3,637</u>
Tax charge/(credit) for the year with effective rate of 13.0% (2019: -0.4%)	<u><u>3,449,936</u></u>	<u><u>(38,013)</u></u>

## 11. DIVIDENDS

	<i>Notes</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Interim dividend	a	2,600,546	2,400,000
Final dividend	b	3,200,672	3,000,000
		<u>3,200,672</u>	<u>3,000,000</u>
Dividends declared and paid		5,801,218	5,400,000
Proposed final dividend	c	3,400,714	3,200,000
		<u>3,400,714</u>	<u>3,200,000</u>
		<u><u>9,201,932</u></u>	<u><u>8,600,000</u></u>

- (a) At a meeting held on 5 August 2020, the Board declared an interim dividend of HK1.30 cents (2019: HK1.20 cents) per share for the six months ended 30 June 2020, which was paid on 11 September 2020.
- (b) 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 paid on 24 June 2020.
- (c) A final dividend of HK1.70 cents (2019: HK1.60 cents) per share for the year ended 31 December 2020 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

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

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

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$23,183,516 (2019: HK\$9,414,656), and the weighted average number of ordinary shares of 197,516,967 (2019: 200,000,000) in issue during the year.

### (b) Diluted earnings per share

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

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

	<b>2020</b>	2019
	<b>HK\$</b>	HK\$
Profit attributable to equity holders of the Company (HK\$)	<b>23,183,516</b>	9,414,656
Weighted average number of ordinary shares in issue	<b>197,516,967</b>	200,000,000
Effect of dilution – weighted average number of ordinary shares in issue:		
Share options	–	18,057
	<b>197,516,967</b>	200,018,057
Diluted earnings per share	<b>HK11.74 cents</b>	HK4.71 cents

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.



### 13. LEASES

#### The Group as a lessee

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

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

The carrying amounts of the Group's right-of-use assets (included under property, plant and equipment) (2019: included under other assets) and the movements during the year are as follows:

	<b>Office premises 2020 HK\$</b>	Office premises 2019 HK\$
As at 1 January	74,747	529,715
Additions	3,612,483	–
Depreciation charge	(669,386)	(454,968)
Exchange realignment	(106)	–
	<u>3,017,738</u>	<u>74,747</u>
As at 31 December	<u><b>3,017,738</b></u>	<u>74,747</u>

##### (b) *Lease liabilities*

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

	<b>2020 HK\$</b>	2019 HK\$
Carrying amount at 1 January	79,843	545,933
Additions	3,612,483	–
Accretion of interest recognised during the year	30,784	13,910
Payments	(633,060)	(480,000)
Exchange realignment	(103)	–
	<u>3,089,947</u>	<u>79,843</u>
Carrying amount at 31 December	<u><b>3,089,947</b></u>	<u>79,843</u>
Analysed into:		
Current portion	1,595,877	79,843
Non-current portion	1,494,070	–
	<u><b>1,494,070</b></u>	<u>–</u>

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

	<b>2020 HK\$</b>	2019 HK\$
Interest on lease liabilities	30,784	13,910
Depreciation charge of right-of-use assets	669,386	454,968
Expense relating to short-term leases (included in other operating expenses)	423,814	327,190
	<u>1,123,984</u>	<u>796,068</u>
Total amount recognised in profit or loss	<u><b>1,123,984</b></u>	<u>796,068</u>

## The Group as a lessor

The Group leases its investment property consisting of one residential property in Hong Kong under an operating lease arrangement. The term of the lease also requires the tenant to pay security deposits. Rental income recognised by the Group during the year was HK\$326,500 (2019: HK\$126,000), details of which are included in note 6 to this announcement.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Within one year	464,194	312,000
After one year but within two years	159,500	290,194
	<u>623,694</u>	<u>602,194</u>

## 14. ACCOUNTS RECEIVABLE

	<i>Notes</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Margin client receivables	a	195,464,250	132,783,367
Cash client receivables	b	31,949,204	31,744,320
		<u>227,413,454</u>	<u>164,527,687</u>
Less: Allowance for ECLs	f	(1,634,920)	(531,508)
		<u>225,778,534</u>	<u>163,996,179</u>
Clearing house receivables	c	108,268,660	4,357,758
Broker receivables	d	46,880,665	39,272,628
Placing commission receivables	e	3,109,308	5,380,762
Fee receivables	e	649,522	1,171,865
Other receivables	e	135,000	127,273
		<u>159,043,155</u>	<u>50,310,286</u>
Total accounts receivable		<u>384,821,689</u>	<u>214,306,465</u>

*Notes:*

### (a) Margin client receivables

At 31 December 2020, the Group held securities (excluding bonds) with an aggregate fair value of HK\$871,014,903 (2019: HK\$412,690,408) and bonds with an aggregate fair value of HK\$15,878,155 (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.

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\$1,209,451 was made as at 31 December 2020 (2019: provision for impairment losses of HK\$72,063).

**(b) Cash client receivables**

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

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

	<b>2020</b>	2019
	<b>HK\$</b>	HK\$
Cash client receivables		
Within 2 days	<b>16,715,658</b>	19,985,725
Past due		
– Over 2 days but less than 1 month	<b>8,428,718</b>	8,239,892
– Over 1 month but less than 3 months	<b>38,904</b>	419,631
– Over 3 months but less than 12 months	<b>3,735,375</b>	2,749,863
– Over 12 months but less than 2 years	<b>2,762,322</b>	340,837
– Over 2 years	<b>268,227</b>	8,372
	<b>31,949,204</b>	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\$148,002 was made as at 31 December 2020 (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:

	<b>2020</b>	2019
	<b>HK\$</b>	HK\$
Clearing house receivables		
Within 2 days	<b>108,268,660</b>	4,357,758

As at 31 December 2020, included in receivables from clearing houses was a net receivable from HKSCC of HK\$108,268,660 (2019: HK\$4,357,758), with a legally enforceable right to set off the corresponding receivable and payable balances.

**(d) Broker receivables**

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

**(e) Receivables from other major service lines**

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

(f) Allowance for ECLs

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

	2020			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2020	261,955	60,906	208,647	531,508
Transfer to stage 1	63,692	(60,510)	(3,182)	–
Transfer to stage 2	(45,601)	45,601	–	–
Transfer to stage 3	(129)	(396)	525	–
Change arising from transfer of stages	(51,145)	(30,537)	1,129,807	1,048,125
Other remeasurement of loss allowance	33,631	–	21,656	55,287
As at 31 December 2020	<u>262,403</u>	<u>15,064</u>	<u>1,357,453</u>	<u>1,634,920</u>
Arising from:				
Margin client receivables	78,352	15,064	1,209,451	1,302,867
Cash client receivables	184,051	–	148,002	332,053
	<u>262,403</u>	<u>15,064</u>	<u>1,357,453</u>	<u>1,634,920</u>
ECLs rate				
Margin client receivables	0.05%	0.06%	16.40%	0.67%
Cash client receivables	0.58%	N/A	48.17%	1.04%
	<u>0.05%</u>	<u>0.06%</u>	<u>16.40%</u>	<u>0.67%</u>
	<u>0.58%</u>	<u>N/A</u>	<u>48.17%</u>	<u>1.04%</u>
	2019			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2019	263,349	234	88,334	351,917
Transfer to stage 1	234	(234)	–	–
Transfer to stage 2	(163)	163	–	–
Transfer to stage 3	(792)	–	792	–
Change arising from transfer of stages	(156)	60,743	110,426	171,013
Other remeasurement of loss allowance	(517)	–	9,095	8,578
As at 31 December 2019	<u>261,955</u>	<u>60,906</u>	<u>208,647</u>	<u>531,508</u>
Arising from:				
Margin client receivables	60,594	60,906	72,063	193,563
Cash client receivables	201,361	–	136,584	337,945
	<u>261,955</u>	<u>60,906</u>	<u>208,647</u>	<u>531,508</u>
ECLs rate				
Margin client receivables	0.05%	0.35%	89.55%	0.15%
Cash client receivables	0.64%	N/A	100.00%	1.06%
	<u>0.05%</u>	<u>0.35%</u>	<u>89.55%</u>	<u>0.15%</u>
	<u>0.64%</u>	<u>N/A</u>	<u>100.00%</u>	<u>1.06%</u>

***Impairment under HKFRS 9 for the year ended 31 December 2020***

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in credit loss allowance during 2020:

- Transfer of client receivables of HK\$179,938 from stage 1 to stage 3 and HK\$12,753,853 from stage 2 to stage 3, resulting in an increase of expected credit loss allowance of HK\$1,129,807;
- Increase in margin client receivables of HK\$62,680,883, which included the origination of new client receivables and new drawdowns from existing clients; and
- For all stage 3 gross margin client and cash client receivables amounting to HK\$7,681,303, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$6,323,850.

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

***Impairment under HKFRS 9 for the year ended 31 December 2019***

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

- Transfer of client receivables of HK\$17,650,745 from stage 1 to stage 2 and HK\$111,318 from stage 1 to stage 3, resulting in an increase of expected credit loss allowance of HK\$60,743 and HK\$110,426, respectively;
- Increase in cash client receivables of HK\$4,147,230, which included the origination of new client receivables and new drawdowns from existing clients; and
- For all stage 3 gross margin client and cash client receivables amounting to HK\$217,050, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$8,405.

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

## 15. ACCOUNTS PAYABLE

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Margin and cash client payables	127,441,975	3,900,585
Due to clearing houses	2,209,166	11,984,135
Broker payables	8,284,326	295,750
Insurer payables	31,204	118,670
	<u>137,966,671</u>	<u>16,299,140</u>

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

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

As at 31 December 2020, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$2,209,166 (2019: HK\$11,984,135) with a legally enforceable right to set off the corresponding receivable and payable balances.

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

## 16. SHARE CAPITAL

### Shares

#### *Authorised shares*

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

#### *Issued and fully paid*

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Issued and fully paid: 200,042,000 (2019: 200,000,000) ordinary shares	<u>2,000,418</u>	<u>1,999,998</u>

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

	<i>Note</i>	<b>Number of shares in issue</b>	<b>Share capital HK\$</b>
As at 1 January 2019, 31 December 2019 and 1 January 2020		200,000,000	1,999,998
Share options exercised	a	<u>42,000</u>	<u>420</u>
As at 31 December 2020		<u><u>200,042,000</u></u>	<u><u>2,000,418</u></u>

*Note:*

- (a) The subscription rights attaching to 42,000 share options were exercised at the subscription price of HK\$1.25 per share, 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.

## 17. BUSINESS COMBINATIONS UNDER COMMON CONTROL

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

The statements of the adjustment to the consolidated equity as at 31 December 2019:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a well-established integrated financial services provider in Hong Kong for almost five decades, providing a wide range of securities broking and related financial services to our clients including (i) securities/futures/insurance policies broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) asset management services; (iv) financial advisory services; and (v) investment consultancy services. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions.

#### Update on business development

During the year ended 31 December 2020, the Group has expanded its scope in the asset management services with details as follows:

(1) *Capital injection into 廣州市勝利私募證券投資基金管理有限公司 (“Guangzhou Victory”)*

The total share capital of Guangzhou Victory was HK\$11,200,000 as at 31 December 2020. The capital injection enables the Group to meet the capital requirement based on local regulations in PRC and Guangzhou Victory will be able to offer private funds with approval from the local authority. However, due to the worldwide outbreak of COVID-19, the approval procedures for the new private funds were delayed. The Group expected the new private funds will be launched in year 2021, and the Group will continue to expand its asset management business by setting up privately offered funds for professional investors.

(2) *Subscription of shares in a Singaporean asset management company*

The Group, through its wholly-owned subsidiary, Victory Securities Holding Limited, has subscribed for 30% of the issued share capital of Nest Asset Management Pte. Limited (subsequently changed name to Victory Nest Asset Management Pte. Limited) (“**Victory Nest**”), a Singaporean incorporated company at a cash consideration of SGD240,000. Victory Nest possesses a venture capital fund management license to engage in fund management business in respect of venture capital funds with qualified investors only. The transaction was completed near the end of December 2020.

The subscription will enable the Group to expand its asset management business network to overseas countries and increase its revenue sources by capturing funds from high net-worth clients in the Asian region. Victory Nest is also currently applying for a registered fund management company license, which will enable Victory Nest to carry on business in fund management with no more than 30 qualified investors (of which no more than 15 may be funds or limited partnership fund structures) and where the total value of the assets managed does not exceed SGD250 million.



## Introduction to business sectors

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

#### *Brokerage services*

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

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

Revenue generated from securities/futures/insurance policies broking services accounted for approximately 48.7% and 54.9% of the total revenue for the years ended 31 December 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 are generally determined with reference to, among other matters, the type of equity or debt securities offered, fund raising size, market condition and prevailing market commission rate. Depending on the terms of a particular placing or underwriting document, the placing or underwriting activities can either be on a fully underwritten basis or a best effort basis.

Revenue generated from placing and underwriting services accounted for approximately 7.6% and 10.9% of the total revenue for the years ended 31 December 2020 and 2019, respectively. The Group provides all-rounded financial services to clients and aims to turn placing and underwriting services into one of the major income streams of the Group in the near future when the investment sentiment improves after the COVID-19 pandemic subsides.

### *Advising on securities services*

The Group also provides services of advising on investment activities, which involve providing research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for approximately 0.1% and 1.8% of the total revenue for the years ended 31 December 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 5.2% and 6.1% of the total revenue for the years ended 31 December 2020 and 2019, respectively.

## **(2) *Financing services***

The Group continued to solidify its customer base by enhancing its marketing capabilities and optimising loan service processes. Generally, the Group provides credit facilities to clients who wish to purchase securities on the Stock Exchange or make applications for initial public offering (“**IPO**”) on a margin basis. The Group also provides trading facilities to clients and generate interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2020 and 2019, approximately 27.1% and 22.5% of the total revenue was derived from financing services, respectively.

Such increase in the proportion to total revenue is in part due to an increasing demand from investors leveraging their investments return by financing, and also attributable to the stronger financial capability that better meets investors’ financing needs. The Group aims to develop a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their needs. The Group expects the revenue from this segment to provide the Group with a stable income stream and help the Group to maintain a steady stream of cash flow. On the other hand, the Group will review the limits and controls on margin loans to ensure that the Group can monitor and control the potential risks associated with any expansion of the business sector.

**(3) *Asset management services***

The Group offers asset management services on a discretionary basis to high net worth clients who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately 8.5% and 2.4% of the Group's total revenue for the years ended 31 December 2020 and 2019, respectively.

The Group is expanding its asset management services sector by setting up private funds in the PRC and Singapore. With enhanced research capabilities and experienced personnel and the revenue for this segment is expected to respond positively.

**(4) *Financial advisory services***

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

The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services accounted for approximately 2.8% and 1.4% of the total revenue for the years ended 31 December 2020 and 2019, respectively.

**(5) *Investment consultancy services***

Investment consultancy services aim to better cater to the needs of high net worth individuals, who have tremendous demand in wealth management services in order to better allocate their asset portfolio and diversify investment risks. These high net worth individuals look for quality wealth management services to realise their wealth management goals and demand wealth management services with tailored professional advice and a sophisticated asset allocation system to diversify their investment risk. The experienced and professional staff from Victory Securities Company Limited and 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.

**Outlook, Prospects and Future Plans**

The economies of Hong Kong, the PRC and the rest of the world faced great challenges in the year 2020. The COVID-19 pandemic has reduced the motivation for outbound investment from different investors and they tend to be more prudent in making investment decisions. The unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group's operations and led to an adverse impact on the revenue derived from the securities brokerage business.

Despite the uncertainties in both regional and global economies, the Group has completed several placing exercises during the year ended 31 December 2020. The Group has also diversified its income streams to the financial advisory and insurance consultancy sectors which have helped enhance our profitability. The Directors believe that the foregoing will enable 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 optimise the utilisation of internal resources to enhance service quality and efficiency of the operations.

The Group has delayed the proposed marketing campaign due to the outbreak and continuance of the COVID-19 pandemic during the year 2020. However, the Group will aim to expand its customer base through the launch of a major marketing campaign in the year 2021 when it approaches its 50th anniversary.

The Group will continue to play an active role in participating in other financial transactions in the market in order to further develop and strengthen its market position as an integrated financial services provider. Moreover, the Group has allocated more resources to its asset management segment, to expand the scale of this segment and to attract funds from different sources through setting up a new subsidiary in the PRC and subscribing for 30% of the issued shares in a Singaporean incorporated asset management company during year 2020. The Group will also seek business opportunities in this segment through acquisitions on a selective basis, and continue to explore potential opportunities in the financial advisory services segment, which much depends on the development of the COVID-19 pandemic as the travel restrictions and social distance requirements have caused much disruption to business activities related to this segment. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the relevant business risks and market uncertainties.

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 was affected by certain global and domestic factors, including the impact of the outbreak of COVID-19. This has brought short-term volatility and challenges to the global stock market due to adverse market and investment sentiment, but up to the date of this announcement, the foregoing had not had a material adverse impact on the Group. However, the medium to long term impact of COVID-19 on the Group's financial and operating performance depends on the duration of the pandemic, which much depends on the effects of the prevention and control measures implemented by the relevant authorities to stop the spread of the virus and the effectiveness of the COVID-19 vaccines. The Company will closely monitor the situation and assess its impact on the Group's financial position and operating results.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2020 and 2019 are summarized as below:

	For the year ended			
	31 December			
	2020	2019	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
Securities/futures broking services, placing and underwriting services and advising on securities services	48,449	43,797	4,652	10.6
Financing services	21,850	13,988	7,862	56.2
Asset management services	6,824	1,487	5,337	358.9
Financial advisory services	2,217	906	1,311	144.7
Insurance brokerage services	1,215	2,056	(841)	(40.9)
Total	<u>80,555</u>	<u>62,234</u>	<u>18,321</u>	<u>29.4</u>

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

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2020 and 2019:

	For the year ended			
	31 December			
	2020	2019	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
Brokerage services	38,015	32,087	5,928	18.5
Placing and underwriting services	6,083	6,779	(696)	(10.3)
Advising on securities services	78	1,097	(1,019)	(92.9)
Others	4,273	3,834	439	11.5
Total	<u>48,449</u>	<u>43,797</u>	<u>4,652</u>	<u>10.6</u>

(a) *Securities/futures brokerage services*

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$38.02 million from its brokerage services, representing an increase of approximately 18.5% as compared to the revenue of approximately HK\$32.09 million for the year ended 31 December 2019. This was mainly due to an increase in brokerage income derived from the Hong Kong stock market, in which the annual total turnover of the Hong Kong stock market increased from approximately HK\$26,422.80 billion in year 2019 to approximately HK\$32,110.10 billion in year 2020, especially in the fourth quarter of year 2020 when investment sentiment became more favourable after the US presidential election on November 2020, which in turn was the main factor for the decrease in brokerage income from the US stock market, representing an increase of approximately 21.5%. Such a decrease in income derived from the US stock market has partially offset the increase in brokerage income derived from the Hong Kong stock market.

(b) *Placing and underwriting services*

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$6.08 million from its placing and underwriting services, representing a decrease of approximately 10.3% as compared to the revenue of approximately HK\$6.78 million for the year ended 31 December 2019. This was mainly due to the decrease in corporate exercises due to the unforeseeable circumstances as a result of the COVID-19.

(c) *Advising on securities services*

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$0.08 million from advising on securities services, representing a decrease of approximately 92.9% as compared to the revenue of approximately HK\$1.10 million for the year ended 31 December 2019. Revenue from this sector was derived from giving research reports and analysis and the amount decreased mainly due to the decrease in engagements when compared to the year ended 31 December 2019 as a result of the fluctuation in the stock market during the current year.

(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; (ii) interest income from deposits; and (iii) employees' share option scheme income. For the year ended 31 December 2020, the Group recorded revenue from other services of approximately HK\$4.27 million, representing an increase of approximately 11.5% as compared to the revenue of approximately HK\$3.83 million for the year ended 31 December 2019. The increase of revenue from such other services was mainly due to an increase in handling fee income charged to clients for the subscription of shares from IPO, especially in the second half of year 2020.

**(2) *Financing services***

For the year ended 31 December 2020, the Group recorded interest income of approximately HK\$21.85 million from financing services, representing an increase of approximately 56.2% as compared to the revenue of approximately HK\$13.99 million for the year ended 31 December 2019. This was mainly due to the increase in the overall margin loan to clients. This represented a keen demand for financing from clients and the Group has been able to cater to the demand from clients with a stronger financing capacity.

**(3) *Asset management services***

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$6.82 million from asset management services, representing an increase of approximately 358.9% as compared to the revenue of approximately HK\$1.49 million for the year ended 31 December 2019. The increase was mainly due to the increase in revenue from new customers when compared to the year ended 31 December 2019, as well as the improvement in performance on the asset under management, which results in the increase in performance fee received when compared to the year ended 31 December 2019.

**(4) *Financial advisory services***

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$2.22 million from financial advisory services, representing an increase of approximately 144.7% as compared to the revenue of approximately HK\$0.91 million for the year ended 31 December 2019. The financial advisory services business had commenced since the approval of the Group's Type 6 License by the Securities and Futures Commission ("SFC") in August 2019.

**(5) *Insurance brokerage services***

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$1.22 million from insurance consultancy services, representing a decrease of approximately 40.9% as compared to the revenue of approximately HK\$2.06 million for the year ended 31 December 2019. Approximately 95% of the Group's insurance consultancy services revenue is generated from long-term insurance plans and the decrease in revenue was mainly due to the decrease in premium size per client.

## Other income and gains, net

Other income and gains, net was approximately HK\$8.62 million for the year ended 31 December 2020, representing an increase of approximately 457.5% as compared to the amount of approximately HK\$1.55 million for the year ended 31 December 2019. 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\$5.43 million, HK\$0.20 million and HK\$2.24 million, respectively, when compared to the year ended 31 December 2019.

## Commission expenses

The following is the breakdown on commission expenses:

	For the year ended			
	2020	2019	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	(%)
Commission for brokerage services	11,848	9,719	2,129	21.9
Commission for insurance consultancy services	473	1,292	(819)	(63.4)
Total	<u>12,321</u>	<u>11,011</u>	<u>1,310</u>	<u>11.9</u>

Commission expenses for the year ended 31 December 2020 was approximately HK\$12.32 million, representing an increase of approximately 11.9% as compared to the commission expenses of approximately HK\$11.01 million for the year ended 31 December 2019, which was mainly due to the increase in commission expenses from trading in Stock-Connect shares.

## Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) auditor's remuneration; and (v) marketing and entertainment expenses, which accounted for approximately 63.7% (2019: 72.4%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2020 was approximately HK\$13.28 million, representing a decrease of approximately 16.5% as compared to the other operating expenses of approximately HK\$15.90 million for the year ended 31 December 2019, mainly due to:

- (i) decrease in exchange and clearing fees of approximately HK\$1.11 million due to cease of warrant trading which involved higher fee since March 2019;
- (ii) decrease in information services expenses of approximately HK\$1.18 million due to decrease in expenses related to system improvement; and
- (iii) decrease in staff welfare expenses and marketing expenses of approximately HK\$0.57 million.



## **Profit for the year attributable to owners of the parent**

Profit for the year ended 31 December 2020 was approximately HK\$23.18 million, representing an increase of approximately 146.2% as compared to the profit of approximately HK\$9.42 million for the year ended 31 December 2019 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\$5.80 million was recorded for the year ended 31 December 2020, when compared to a fair value gains on financial assets at fair value through profit or loss of approximately HK\$0.37 million for the year ended 31 December 2019;
- (ii) increase in revenue for the year ended 31 December 2020, when compared to the year ended 31 December 2019; and
- (iii) decrease in other operating expenses where approximately HK\$13.28 million was recorded for the year ended 31 December 2020, when compared to other operating expenses of approximately HK\$15.90 million for the year ended 31 December 2019, mainly due to decrease in exchange and clearing fee and information services expenses.

However, the effect was partly offset by the following:

- (i) increase in staff costs where approximately HK\$27.10 million was recorded for the year ended 31 December 2020, when compared to staff costs of approximately HK\$20.62 million for the year ended 31 December 2019, in order to cope with the increase in business scope;
- (ii) increase in commission expenses where approximately HK\$12.32 million was recorded for the year ended 31 December 2020, when compared to commission expenses of approximately HK\$11.01 million for the year ended 31 December 2019, mainly due to the increase in commission expenses from trading in Stock-Connect shares; and
- (iii) increase in finance costs where approximately HK\$5.16 million was recorded for the year ended 31 December 2020, when compared to finance costs of approximately HK\$3.23 million for the year ended 31 December 2019, which is in line with the increase in interest income from financing services.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

During the year ended 31 December 2020, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash outflow position for the year ended 31 December 2020, in which net cash used in operating activities amounted to approximately HK\$24.57 million (for the year ended 31 December 2019: net cash from operating activities amounted to approximately HK\$15.33 million). As at 31 December 2020, aggregate of bank and cash balances of the Group amounted to approximately HK\$30.34 million (as at 31 December 2019: approximately HK\$17.77 million), which were substantially denominated in Hong Kong dollars.

As at 31 December 2020, the Group's current assets and current liabilities were HK\$431.88 million (as at 31 December 2019: approximately HK\$243.84 million) and approximately HK\$280.31 million (as at 31 December 2019: approximately HK\$97.23 million), respectively. As at 31 December 2020, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.54 times (as at 31 December 2019: approximately 2.51 times).

As at 31 December 2020, the bank and other borrowings of the Group were approximately HK\$128.57 million (as at 31 December 2019: HK\$69.00 million). The size of the secured bank borrowings depends primarily on the increase in clients' demand on our Group's financing services which in turns affect our demand for short-term bank loans. These borrowings are secured by clients' securities and securities held by the Group, leasehold land and buildings and investment properties of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2020 and 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 all denominated in HK\$. The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2020 was approximately 25.6% (as at 31 December 2019: approximately 22.2%).

The Group's investments are mainly financial assets at fair value through profit or loss. As at 31 December 2020, the market value of which were approximately HK\$8.51 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 31 December 2020 and 31 December 2019. As at 31 December 2020, total equity attributable to owners of the Company amounted to approximately HK\$208.94 million (as at 31 December 2019: approximately HK\$205.38 million).

### **Use of Proceeds from Share Offer**

Gross 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\$62.50 million. Net proceeds after deduction of listing expenses were approximately HK\$44.00 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 the Share Offer for the follow purposes:

- 51.4%, or HK\$22.60 million, will be used to enlarge the capacity of our financing services;
- 13.6%, or HK\$6.00 million, will be used for upgrading our portfolio management system (“**PMS**”) and order management system (“**OMS**”);
- 11.4%, or HK\$5.00 million, will be used for proprietary trading;
- 6.8%, or HK\$3.00 million, will be used to expand our client network with a focus on high net worth and institutional clients;
- 5.7%, or HK\$2.50 million, will be used for entering into the corporate finance advisory business;
- 4.5%, or HK\$2.00 million, will be used to enhance our research capabilities and asset management service; and
- the remaining amount of HK\$2.90 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 31 December 2020 and the remaining balance of Net Proceeds after the revised allocation as at 31 December 2020 are set out as follows:

<b>Intended use of Net Proceeds</b>	<b>Original allocation of Net Proceeds as stated in the Prospectus <i>HK\$ million</i></b>	<b>Revised allocation of Net Proceeds <i>HK\$ million</i></b>	<b>Amount of Net Proceeds utilized as at 31 December 2020 <i>HK\$ million</i></b>	<b>The remaining balance of Net Proceeds after the revised allocation as at 31 December 2020 <i>HK\$ million</i></b>
Enlarging the capacity of the financing services	22.60	28.60	28.60	–
Proprietary trading	5.00	5.00	5.00	–
Upgrading the PMS and OMS	6.00	–	–	–
Expanding the client network with a focus on high net worth and institutional clients	3.00	3.00	1.50	1.50
Entering into the corporate finance advisory business	2.50	2.50	2.50	–
Enhancing the research capabilities and asset management service	2.00	2.00	2.00	–
Working capital and other general corporate purposes	2.90	2.90	2.90	–
<b>Total</b>	<b>44.00</b>	<b>44.00</b>	<b>42.50</b>	<b>1.50</b>

## 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:

<b>Business objectives</b>	<b>Actual business progress up to 31 December 2020</b>
Enlarging the capacity of our financing services	Fully utilized for expanding the scope of financing services
Working capital and other general corporate purposes	Fully utilized for general working capital
Proprietary trading	Fully utilized for proprietary trading
Upgrading our PMS and OMS	The proceeds were fully 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 was approved in August 2019, the respective personnel were on board and the proceeds were fully utilized
Enhancing our research capabilities and asset management service	Fully utilized for the purposes

\* 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 31 December 2020 and 31 December 2019, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$179.57 million and HK\$80.33 million, respectively, other unlisted investment held by the Group amounting to approximately HK\$3.71 million and nil as at 31 December 2020 and 31 December 2019, respectively, and leasehold land and buildings and investment properties of the Group with an aggregate carrying value amounting to HK\$54.70 million and HK\$61.80 million as at 31 December 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 13 to this announcement, the Group had no other commitments as at 31 December 2020 and 2019.

## **CONTINGENT LIABILITIES**

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

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

Save as disclosed in the "Update on business development" as set out in the "Business Review" section of this announcement, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the year ended 31 December 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 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.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2020, the Group had 53 full-time employees (as at 31 December 2019: 45), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2020, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK\$27.10 million (for the year ended 31 December 2019: approximately HK\$20.62 million).

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

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

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

## **FINAL DIVIDEND AND ANNUAL GENERAL MEETING**

The Board recommended the payment of a final dividend of HK1.70 cents per share for the year ended 31 December 2020 (for the year ended 31 December 2019: HK1.60 cents per share), amounting to approximately HK\$3,400,714 to those Shareholders whose names appear on the register of members at the close of business on Tuesday, 1 June 2021, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 27 May 2021 ("**2021 AGM**"). It is expected that the final dividend will be paid on or about Wednesday, 23 June 2021, if approved.

## **CLOSURE OF REGISTER OF MEMBERS**

### **To be eligible to attend and vote at the 2021 AGM**

The register of members of the Company will be closed from Friday, 21 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2021 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 20 May 2021.

### **To qualify the proposed final dividend**

The register of members of the Company will also be closed from Wednesday, 2 June 2021 to Friday, 4 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 1 June 2021.

## **CORPORATE GOVERNANCE PRACTICES**

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

The Company's corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2020, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.



## **AUDIT COMMITTEE**

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

The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2020.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings during the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **COMPETING INTERESTS**

None of the Directors or the controlling Shareholders nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the year ended 31 December 2020.

## **CHANGE OF COMPLIANCE ADVISER**

The Company and Pulsar Capital Limited have mutually agreed to terminate the compliance adviser agreement dated 12 October 2017 with effect from 16 August 2020 due to material dispute over fees.

Central China International Capital Limited was appointed as the replacement compliance adviser of the Company pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 16 August 2020. For further details, please refer to the announcement of the Company dated 14 August 2020.

## **COMPLIANCE ADVISER’S INTERESTS**

Save and except for the compliance adviser’s agreement entered into between the Company and Central China International Capital Limited (the “**Compliance Adviser**”) with effect from 16 August 2020, neither the Compliance Adviser, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or other companies of the Group (including options or rights to subscribe for such securities) as at 31 December 2020 and up to the date of this announcement, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.victorysec.com.hk](http://www.victorysec.com.hk)). The annual report of the Group for the year ended 31 December 2020 containing all the information required by the GEM Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

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

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

Hong Kong, 18 March 2021

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://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](http://www.victorysec.com.hk)).*