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SINCE 1970s

Victory Securities (Holdings) Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8540

ANNUAL REPORT 2021

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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Mr. Chiu Che Leung, Stephen
Mr. Chan Pui Chuen

Non-executive Director

Mr. Chan Ying Kit *(Chairman)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dr. Yan Ka Shing *(Chairman)*
Mr. Chan Pui Chuen
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STOCK CODE

8540

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Victory Securities (Holdings) Company Limited (the "**Company**"), I am pleased to present the annual report and the financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Review Year**").

The Group is a well-established financial institution in Hong Kong providing a wide range of financial services to our clients including (i) securities/futures/insurance policies broking services; (ii) financing services; (iii) asset management services; (iv) financial advisory service; and (v) investment consultancy services. The Company has been in business for more than 50 years, has been sharpened with all the experiences, such as every financial crisis happened in the past decades. After the Company was listed on the GEM Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2018, the Group has implemented new lines of businesses and has acquired much more market exposures and opportunities.

REGULATION AND MARKET OVERVIEW

In respect of market performance, the first half of the Review Year had been pleasant for the investors and the industry with the Heng Seng Index (the "**HSI**") as at 30 June 2021 increased by approximately 1597 points when compared to the HSI as at 31 December 2020; the HSI has been decreased by approximately 5430 points in the second half of the Review Year, which had an adverse impact on the financial performance of the Group. The main reason for the market decline was caused by the dramatic drop of quite a number of big chips in the new economic sectors, due to changes in operating environment and new regulations introduced for these business sectors during the Review Year. In addition to the foresaid, the whole world including Hong Kong, had still been severely affected by the Coronavirus-2019 ("**COVID-19**") pandemic and China-USA trade war during the Review Year, which have posed much pressures on economic activities and weighed on sentiment, and in turns adversely affected the GDP and other economic indicators of Hong Kong. Moreover, starting from 1 August 2021, the Hong Kong Government increased the stock trading stamp duty by 30% to 0.13%, which had made the market sentiment even worse for the second half of the Review Year.

As said above, the first half of the Review Year had quite a few compelling IPO's whelmed the pleasant market sentiment; but the IPO market in the second half of the Review Year has been affected by the adverse market sentiment as mentioned above, and that has decreased the ranking of the Stock Exchange to number three in terms of fund-raising amount when comparing with other global financial centers in the Review Year, while Hong Kong had been ranked number one for a few consecutive years before the Review Year. The Group also believes that the IPO market may still take time to adjust upon the effective of the new profit requirements for companies to be listed on the Main Board of the Stock Exchange since 1 January 2022. However, the adverse impact of such may be offset by the launch of new listing regime for special purpose acquisition companies ("**SPACs**") that will take effect on 1 January 2022.

In terms of regulation in Hong Kong, the Group expects the regulators will keep closely monitoring and tightening the control measurements in year 2022. During the Review Year, the Securities and Futures Commission (the "**SFC**") had already set more guidelines and rules in the areas of Financial Resource Rules ("**FRR**") and e-business related issues.

Besides SFC, the Stock Exchange had introduced Fast Interface for New Issuance ("**FINI**") which will be launched in the fourth quarter of year 2022; and risk management system namely VaR; and also the Investor Identification System namely BCAN. All these systems need market operators including the Group, to make substantial investment in order to accommodate the new systems introduced by the Stock Exchange.

BUSINESS REVIEW

Despite the adverse market performance and sentiment in the second half of the Review Year, the Group made a record high to its revenue. As such, the revenue increased by approximately 26.8% from approximately HK$80.56 million for the year ended 31 December 2020 to approximately HK$102.18 million for the Review Year. However, net profit decreased by approximately 35.1% from approximately HK$23.18 million for the year ended 31 December 2020 to approximately HK$15.05 million for the Review Year, mainly due to the adverse market sentiment in the fourth quarter of the Review Year, and also increase in staff costs and several operating costs such as marketing expenses.

PROSPECTS

The Group expects the financial market in year 2022 would have more certainties and better performance than that in 2021, mainly due to several positive factors affecting Hong Kong in year 2022 as follows:

(i) The Greater Bay effect; and

(ii) China Concept stocks which have been listed in the USA may choose to be listed in Hong Kong sooner or later this year or next.

For year 2022, we will focus on two core service segments, mainly asset management and wealth management services. Throughout the Review Year, border control and quarantine polices had varied in accordance with the situation of COVID-19 in different countries and cities, and the anti-epidemic measures on COVID-19 in the Peoples' Republic of China ("**PRC**") and Hong Kong had raised additional barriers for entering into PRC for business explorations and maintaining customers' relationships, which the same should have also happened to many of the market participants. It was expected that the anti-epidemic measures on COVID-19 may relieve in year 2022, such that the Group can commence business trips to overseas operations, i.e. PRC, Singapore and Japan very soon in order to explore the market and to perform various introduction and promotion events in person.

Anyhow, the China-USA trade negotiations and the continued outbreak of COVID-19 had shadowed the whole year of 2021 in a global aspect, the Group believes these two factors will continue to affect the global economy and financial markets, especially the impact on the new virus variants and the effectiveness on the existing CODID-19 vaccination on these new virus variants are still uncertain.

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. Moreover, risk management and control played a very important role in any financial institutions to mitigate the risks associated with all the uncertainties, therefore the Group will continue to invest and improve risk management capacity despite the possibility in the increased compliance and risks management costs, so as to ensure a sound credit-management process, thereby achieving stable returns amid an unstable market environment.

APPRECIATION

I would like to express my sincere gratitude to all my fellow directors, our management team and staff for their efforts contributing to the Group. I would also like to thank all our shareholders, customers and business partners for their trust and support throughout the years.

By Order of the Board
Chan Ying Kit
Chairman and non-executive director

Hong Kong, 17 March 2022

FINANCIAL HIGHLIGHTS

The financial highlights of Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are as follows:

	For the year ended 31 December			
	2021	2020	**Differences**	**Change**
	HK$'000	HK$'000	HK$'000	(%)
Revenue	**102,178**	80,555	21,623	26.8
Staff costs	**30,226**	27,098	3,128	11.5
Commission expenses	**16,037**	12,321	3,716	30.2
Other operating expenses	**16,827**	13,282	3,545	26.7
Profit for the year	**15,052**	23,184	(8,132)	(35.1)
Basic and diluted earnings per share (in HK cents)	**8.08**	11.74		

Revenue for the year ended 31 December 2021 was approximately HK$102.18 million, representing an increase of approximately 26.8% as compared to the revenue of approximately HK$80.56 million for the year ended 31 December 2020, reflecting the increase in revenue from securities/futures brokerage services, handling fee services, financing services and employees' share option scheme services, which compensated the decrease in revenue from placing and underwriting services, asset management services, financial advisory services and insurance consultancy services.

Profit for the year ended 31 December 2021 was approximately HK$15.05 million, representing a decrease of approximately 35.1% as compared to the profit of approximately HK$23.18 million for the year ended 31 December 2020 mainly due to increase in staff costs and other operating costs as follows:

(i) increase in staff costs where approximately HK$30.23 million was recorded for the year ended 31 December 2021, when compared to staff costs of approximately HK$27.10 million for the year ended 31 December 2020, mainly due to expansion of business scope;

(ii) increase in other operating expenses where approximately HK$16.83 million was recorded for the year ended 31 December 2021, when compared to the other operating expenses of approximately HK$13.28 million for the year ended 31 December 2020, mainly due to increase in marketing and entertainment expenses of approximately HK$2.17 million when compared to the year ended 31 December 2020;

(iii) increase in charge for allowance for expected credit losses on accounts receivable, net where approximately HK$6.67 million was recorded for the year ended 31 December 2021, when compared to charge for allowance for expected credit losses on accounts receivable, net of approximately HK$1.10 million for the year ended 31 December 2020;

(iv) increase in finance costs where approximately HK$6.94 million was recorded for the year ended 31 December 2021, when compared to finance costs of approximately HK$5.16 million for the year ended 31 December 2020, which is in line with the increase in interest income from financing services.

A final dividend of HK1.60 cents per share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK1.70 cents) was recommended by the Board and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

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 2021 and up to the date of this report, the Group has expanded its scope in the asset management services with details as follows:

(1) Set up of a new subsidiary in Fukuoka, Japan

Victory Asset Management Japan Limited ("**Victory Japan**") was incorporated in Fukuoka, Japan on 21 January 2021. The total share capital of Victory Japan was JPY20,000,000 (equivalent to HK$1,497,600). The new subsidiary will be able to offer private funds after obtaining the respective license from the local authorities. Up to the date of the report, the application of respective license is still in progress. The Group targeted to launch the new private funds in year 2022, and upon successful application of the respective license and launch of new products the Group will be able to expand its asset management business and attract funds from overseas countries.

*(2) Qualified for the Qualified Foreign Institutional Investor ("**QFII**") program launched by the China Securities Regulatory Commission of the People's Republic of China ("**PRC**")*

Victory Securities Company Limited, a wholly owned subsidiary of the Company has been qualified to the QFII program launched by the China Securities Regulatory Commission of PRC in April 2021. The QFII program will benefit the Group by providing a more direct approach for the Group and its clients to invest in PRC's capital market. Other than investing through the existing channels such as Shenzhen/Shanghai Stock Connect and Bond Connect, the Group and its clients will be able to obtain all round access to PRC capital market, ranging from stocks, bonds, public and private funds, to futures, options and other financial derivatives. The QFII program will benefit the Group from the development and enhancement of PRC's capital market.

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 of Hong Kong Limited (the "**Stock Exchange**") and eligible securities traded through the securities trading and clearing linked program developed by the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation. 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 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 57.5% and 48.7% of the total revenue for the years ended 31 December 2021 and 2020, 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 1.4% and 7.6% of the total revenue for the years ended 31 December 2021 and 2020, 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 nil and approximately 0.1% of the total revenue for the years ended 31 December 2021 and 2020, 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 9.3% and 5.2% of the total revenue for the years ended 31 December 2021 and 2020, 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 2021 and 2020, approximately 33.4% and 27.1% 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 -2.6% and 8.5% of the Group's total revenue for the years ended 31 December 2021 and 2020, respectively.

The performance of this business segment was adversely affected by the market sentiment, especially in the fourth quarter of year 2021. However, the Group is expanding its asset management services sector by setting up private funds in the PRC, Singapore and Japan. 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 1.0% and 2.8% of the total revenue for the years ended 31 December 2021 and 2020, 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 the Group 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, PRC and the rest of the world has faced great challenges in the last year. The continuation of 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.

Despite the uncertainties in both regional and global economies, the capital market in Hong Kong was an exception especially in the first half of the year 2021. The total turnover of the Hong Kong stock market increased from approximately HK$32,110.15 billion for the year ended 31 December 2020 to approximately HK$41,182.25 billion for the year ended 31 December 2021, representing an increase of approximately 28.3%. This increase in trading turnover has a positive impact on the revenue of the Group during the year ended 31 December 2021.

The Group has delayed the proposed marketing campaign due to the outbreak and continuance of COVID-19 pandemic during the year 2020. However, the Group has launched several major marketing campaigns in the year 2021 for its 50th anniversary which aims to expand its customer base.

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 PRC, and subscribing for 30% of the issued shares in a Singaporean incorporated asset management company during year 2020, and also setting up a new subsidiary in Fukuoka, Japan during January 2021. 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 COVID-19 pandemic as the anti-epidemic measures on COVID-19 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 year 2022 may still be affected by certain global and domestic factors, including the impact 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 report, 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 2021 and 2020 are summarized as below:

	For the year ended 31 December			
	2021	2020	**Differences**	**Change**
	HK$'000	HK$'000	HK$'000	(%)
Securities/futures broking services, placing and underwriting services and advising on securities services	**68,873**	48,449	20,424	42.2
Financing services	**34,093**	21,850	12,243	56.0
Asset management services	**5,347**	6,824	(1,477)	(21.6)
Financial advisory services	**971**	2,217	(1,246)	(56.2)
Insurance brokerage services	**888**	1,215	(327)	(27.0)
Provision for losses on guaranteed contracts with customers	**(7,994)**	–	(7,994)	N/A
Total	**102,178**	80,555	21,623	26.8

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

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021 HK$'000	2020 HK$'000	Differences HK$'000	Change (%)
Brokerage services	57,924	38,015	19,909	52.4
Placing and underwriting services	1,466	6,083	(4,617)	(75.9)
Advising on securities services	–	78	(78)	(100.0)
Others	9,483	4,273	5,210	121.9
Total	68,873	48,449	20,424	42.2

(a) Securities/futures brokerage services

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$57.92 million from the brokerage services, representing an increase of approximately 52.4% as compared to the revenue of approximately HK$38.02 million for the year ended 31 December 2020. This was mainly due to an increase in brokerage income derived from the Hong Kong stock market, in which the total turnover of the Hong Kong stock market increased from approximately HK$32,110.15 billion for the year ended 31 December 2020 to approximately HK$41,182.25 billion for the year ended 31 December 2021, representing an increase of approximately 28.3%.

(b) Placing and underwriting services

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$1.47 million from the placing and underwriting services, representing a decrease of approximately 75.9% as compared to the revenue of approximately HK$6.08 million for the year ended 31 December 2020. 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 2021, the Group recorded revenue of nil from advising on securities services, representing a decrease of 100.0% as compared to the revenue of approximately HK$0.08 million for the year ended 31 December 2020. Revenue from this sector was derived from providing research reports and analysis and the amount decreased mainly due to the decrease in engagements when compared to the year ended 31 December 2020 as a result of the fluctuation in the stock market during the current period.

(d) Others

Other services mainly represented (i) handling fee income arising from the services such as IPO subscription, 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 2021, the Group recorded a revenue from other services of approximately HK$9.48 million, representing an increase of approximately 121.9% as compared to the revenue of approximately HK$4.27 million for the year ended 31 December 2020. 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.

(2) Financing services

For the year ended 31 December 2021, the Group recorded interest income of approximately HK$34.09 million from financing services, representing an increase of approximately 56.0% as compared to the revenue of approximately HK$21.85 million for the year ended 31 December 2020. 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 2021, the Group recorded a revenue of approximately HK$5.35 million from asset management services, representing a decrease of approximately 21.6% as compared to the revenue of approximately HK$6.82 million for the year ended 31 December 2020. This was mainly due to decrease in performance fee received from customers when compared to the year ended 31 December 2020 due to the adverse market conditions in the second half of year 2021, this also resulted in a provision for losses on guaranteed contracts with customers of approximately HK$7.99 million.

(4) Financial advisory services

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$0.97 million from the financial advisory services, representing a decrease of approximately 56.2% as compared to the revenue of approximately HK$2.22 million for the year ended 31 December 2020. This was mainly due to travel restrictions and social distance requirements which have caused much disruption to business activities related to this segment.

(5) Insurance consultancy services

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$0.89 million from insurance consultancy services, representing a decrease of approximately 27.0% as compared to the revenue of approximately HK$1.22 million for the year ended 31 December 2020. 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/(losses), net

Other income and gains/(losses), net was approximately HK$3.29 million (losses) for the year ended 31 December 2021, representing a decrease of approximately 138.1% as compared to the amount of approximately HK$8.62 million (gains) for the year ended 31 December 2020. Such decrease was mainly due to decrease in fair value gains on financial assets at fair value through profit or loss and decrease in government subsidy of approximately HK$10.72 million and HK$1.79 million, respectively, when compared to the year ended 31 December 2020, which was partly compensated by the increase in fair value gain on investment property of HK$0.3 million and increase in rental and other miscellaneous income of approximately HK$0.32 million.

Commission expenses

The following is the breakdown on commission expenses:

	For the year ended 31 December			
	2021	2020	**Differences**	**Change**
	HK$'000	HK$'000	HK$'000	(%)
Commission for brokerage services	**15,572**	11,848	3,724	31.4
Commission for insurance consultancy services	**465**	473	(8)	(1.7)
Total	**16,037**	12,321	3,716	30.2

Commission expenses for the year ended 31 December 2021 was approximately HK$16.04 million, representing an increase of approximately 30.2% as compared to the commission expenses of approximately HK$12.32 million for the year ended 31 December 2020, which increased in line with the increase in revenue from securities/futures brokerage services.

Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) staff welfare, marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 64.8% (2020: 63.7%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2021 was approximately HK$16.83 million, representing an increase of approximately 26.7% as compared to the other operating expenses of approximately HK$13.28 million for the year ended 31 December 2020, mainly due to:

(i) increase in marketing and entertainment expenses of approximately HK$2.17 million;

(ii) increase in bank handling charge for subscription of shares from IPO of approximately HK$0.80 million, which is calculated on a per head basis; and

(iii) increase in staff welfare expenses of approximately HK$0.69 million.

Profit for the year attributable to owners of the parent

Profit for the year ended 31 December 2021 was approximately HK$15.05 million, representing a decrease of approximately 35.1% as compared to the profit of approximately HK$23.18 million for the year ended 31 December 2020 mainly due to increase in staff costs and other operating costs as follows:

(i) increase in staff costs where approximately HK$30.23 million was recorded for the year ended 31 December 2021, when compared to staff costs of approximately HK$27.10 million for the year ended 31 December 2020, mainly due to expansion of business scope;

(ii) increase in other operating expenses where approximately HK$16.83 million was recorded for the year ended 31 December 2021, when compared to the other operating expenses of approximately HK$13.28 million for the year ended 31 December 2020, mainly due to increase in marketing and entertainment expenses of approximately HK$2.17 million when compared to the year ended 31 December 2020;

(iii) increase in charge for allowance for expected credit losses on accounts receivable, net where approximately HK$6.67 million was recorded for the year ended 31 December 2021, when compared to charge for allowance for expected credit losses on accounts receivable, net of approximately HK$1.10 million for the year ended 31 December 2020;

(iv) increase in finance costs where approximately HK$6.94 million was recorded for the year ended 31 December 2021, when compared to finance costs of approximately HK$5.16 million for the year ended 31 December 2020, 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 2021, 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 2021, in which net cash used in operating activities amounted to approximately HK$61.18 million (for the year ended 31 December 2020: net cash used in operating activities amounted to approximately HK$24.57 million), which was due to decrease in margin and cash clients payables as at 31 December 2021. As at 31 December 2021, aggregate of bank and cash balances of the Group amounted to approximately HK$21.93 million (as at 31 December 2020: approximately HK$30.34 million), which were substantially denominated in Renminbi.

As at 31 December 2021, the Group's current assets and current liabilities were approximately HK$420.32 million (as at 31 December 2020: approximately HK$431.88 million) and approximately HK$270.72 million (as at 31 December 2020: approximately HK$280.31 million), respectively. As at 31 December 2021, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.55 times (as at 31 December 2020: approximately 1.54 times).

As at 31 December 2021, the bank and other borrowings of the Group were approximately HK$209.37 million (as at 31 December 2020: approximately HK$128.57 million). The size of the secured bank borrowings depends primarily on the increase in clients' demand on our Group's financing services which in turns affect our demand for short-term bank loans. These borrowings are secured by clients' securities and securities held by the Group, an unlisted investment, a time deposit ,leasehold land and buildings and the investment property of the Group, and by corporate guarantees from the Company. The interest rate of our secured borrowings as at 31 December 2021 and 31 December 2020 ranged from one-week Hong Kong Interbank Offered Rate plus 2.25% for revolving term loans, and at Hong Kong Prime Rate/Hong Kong Prime Rate plus 0.5% per annum for overdrafts. All bank loans have maturity within one month and were all denominated in HK$. The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2021 was approximately 42.2% (as at 31 December 2020: approximately 25.6%), increased in the Group's gearing ratio was mainly due to the increase demand from margin financing client which in turns resulted in increase in bank and other borrowings as at 31 December 2021.

The Group's investments are mainly financial assets at fair value through profit or loss. As at 31 December 2021, the market value of which were approximately HK$9.66 million (as at 31 December 2020: approximately HK$8.51 million) and are mainly equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2021 and 31 December 2020. As at 31 December 2021, total equity attributable to owners of the Company amounted to approximately HK$215.79 million (as at 31 December 2020: approximately HK$208.94 million).

Use of Proceeds from Share Offer

With reference to the prospectus of the Company dated 30 June 2018 (the "**Prospectus**"), announcement of the Company dated 24 June 2019 and the annual report of the Company for the year ended 31 December 2019 and 2020 and the interim report of the Company for the period ended 30 June 2021, the remaining net proceeds from the Company's IPO amounted to HK$1.5 million as at 31 December 2020, have been fully utilised for "expanding the client network with a focus on high net worth and institutional clients", in which several large marketing campaigns were already launched during the year 2021. All of the net proceeds from the Company's IPO were fully utilized as at 31 December 2021.

PLEDGE OF ASSETS

As at 31 December 2021 and 31 December 2020, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK$264.75 million and HK$179.57 million, respectively, an unlisted investment held by the Group amounting to approximately HK$3.90 million and HK$3.71 million as at 31 December 2021 and 31 December 2020, respectively, a time deposit held by the Group amounting to HK$4.00 million and nil as at 31 December 2021 and 31 December 2020, respectively, and leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to HK$59.20 million and HK$54.70 million as at 31 December 2021 and 31 December 2020, respectively.

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars ("**HK$**"), while the Group have assets and liabilities denominated in Renminbi and the US dollar ("**US$**") 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 has measures to reduce assets denominated in foreign currencies, therefore the Group expects 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 17 to the financial statements, the Group had no other commitments as at 31 December 2021 and 2020.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

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

Save as disclosed in note 19 to the financial statements, 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 2021.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, 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 2021, the Group had 59 full-time employees (as at 31 December 2020: 53), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2021, the total employees' cost (including directors' emoluments and retirement benefit scheme contribution) was approximately HK$30.23 million (for the year ended 31 December 2020: approximately HK$27.10 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. Particulars of the said share option scheme are set out in the section headed "Share Option Scheme" of this report.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Kou Kuen ("Ms. Kou"), aged 63, was appointed as a director ("**Director**") on 22 August 2016 and was designated as an executive Director of Victory Securities (Holdings) Company Limited (the "**Company**") and chief executive officer on 11 September 2017. Ms. Kou is one of the controlling shareholders of the Company and a member of the remuneration committee. She is responsible for the overall management and business development and strategic planning of the Company and its subsidiaries (the "**Group**"). She is a director of various subsidiaries of the Company, including Victory Securities Holding Ltd. ("**Victory Securities (BVI)**"), Victory Securities Company Limited ("**Victory Securities (HK)**"), Victory Insurance Consultants Limited ("**Victory Insurance**"), Victory Premier SPC ("**Victory Premier**"), 廣州市勝利私募證券投資管理有限公司 ("**Victory Guangzhou**"), Victory Spectacular Fund SPC ("**Victory Spectacular**"), Victory Asset Management Japan Limited ("**Victory Japan**") and Victory Privilege Fund OFC. Ms. Kou is also a director of Victory Nest Asset Management Pte. Ltd ("**Victory Singapore**"), which is an associate of the Company. Ms. Kou is the spouse of Mr. Chan Ying Kit (Non-executive Director and Chairman of the Company) and the mother of Mr. Chan Pui Chuen (Executive Director of the Company).

Ms. Kou has over 31 years of experience in the securities industry. In 1979, she joined Victory Investment Company as a clerk. From September 1979 to August 1982, she was mainly responsible for back office operation of Victory Investment Company. From August 1986 to March 1988, she worked in Hong Kong office of Canadian Communications International as executive assistant/marketing manager. From April 1988 to July 1990, she worked in Translanguage Centre Limited as an assistant marketing manager and was later promoted to marketing manager. She also became the marketing manager of the subsidiary of Translanguage Centre Limited, namely, Translanguage-IRH Limited, from October 1988 to July 1990. Subsequently in 1990, she re-joined Victory Investment Company as a manager and undertook managerial and supervisory roles. She was responsible for overall administration and operation of Victory Investment Company. From January 2003 to February 2015, she was the general manager of Victory Securities (HK). From March 2015 to December 2016, she was the managing director of Victory Securities (HK). Since January 2017, she has been the chief executive officer and a director of Victory Securities (HK).

Ms. Kou obtained a bachelor's degree in administrative studies from York University in Toronto, Canada in June 1986. She is currently licensed by the Securities and Futures Commission (the "**SFC**") to act as a responsible officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that she shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the Securities and Futures Ordinance (the "**SFO**"). Ms. Kou currently is director and vice-chairman of the Hong Kong Securities Association.

Mr. Chiu Che Leung Stephen ("Mr. Chiu"), aged 72, was appointed as a Director on 22 August 2016 and was designated as an executive Director of the Company and chief operating officer on 11 September 2017. He is responsible for overall supervision of operations of the Group. He is a director of various subsidiaries of the Company, including Victory Securities (BVI), Victory Securities (HK), VS Capital Limited ("**VS Capital**") and VSAM Company Limited ("**VSAM**"). Mr. Chiu has stepped down from the position of chief operating officer since 1 January 2022 but remains as the executive Director of the Company.

Mr. Chiu has over 48 years of experience in the securities industry. He was a business and office manager in Shung Lee Stock Investment Company from April 1973 to August 1984. He was the sole proprietor of Ten & Ten Securities Company from 1988 to 2005. Mr. Chiu joined Victory Securities (HK) in 2004 when it was merged with Ten & Ten Securities Company. From December 2004 to December 2005, he was the branch manager of Victory Security (HK). From January 2006 to December 2015, he was the compliance officer and deputy general manager of Victory Security (HK). From January 2016 to August 2017, he was the managing director of Victory Security (HK). Since September 2017, he has been the chief operating officer of Victory Security (HK).

Mr. Chiu completed his secondary school education in 1967. He is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management, under the condition that he shall not provide a service of managing a portfolio of futures contracts for another person) regulated activities under the SFO.

Mr. Chan Pui Chuen ("Mr. Chan Pui Chuen"), aged 32, was appointed as a Director on 5 September 2017 and was designated as an executive Director of the Company on 11 September 2017. He was appointed as one of the Company's joint company secretaries on 10 October 2017 and resigned with effect from 16 October 2019. He is a member of the nomination committee. He is responsible for overseeing compliance, internal control and risk management of the Group. He is a director of various subsidiaries of the Company, including Victory Securities (BVI), Victory Insurance, Victory Premier, Victory Guangzhou and Victory Japan. Mr. Chan is also a director of Victory Singapore. Mr. Chan Pui Chuen is the son of Ms. Kou Kuen (Executive Director and Chief Executive Officer of the Company) and Mr. Chan Ying Kit (Non-executive Director and Chairman of the Company).

Mr. Chan Pui Chuen was approved by the SFC to be the licensed representative of Victory Securities (HK) for Type 1 regulated activity on 24 July 2013 and he has been employed by Victory Securities (HK) on a full-time basis since then. He was promoted as a senior compliance manager of Victory Securities (HK) from March 2015. On 6 April 2020, he was approved by the SFC to be the responsible officer of Victory Securities (HK) and was promoted as deputy chief operating officer from the same date.

Mr. Chan Pui Chuen obtained a master of science degree in finance from the Chinese University of Hong Kong in October 2018 and a bachelor of arts degree in management studies from the University of Nottingham, the United Kingdom in July 2012. He is currently licensed by the SFC to act as a responsible officer of Type 1 (dealing in securities) and a licensed representative to carry out Type 9 (asset management) regulated activities under the SFO.

NON-EXECUTIVE DIRECTOR

Mr. Chan Ying Kit ("Mr. Chan"), aged 66, was appointed as a Director on 22 August 2016 and was designated as the chairman of the board of Directors of the Company (the "**Board**") and a non-executive Director of the Company on 11 September 2017. Mr. Chan is one of the Company's controlling shareholders. As a chairman of the Board, he is responsible for strategic planning of the Group. He is also a director of Victory Securities (BVI), Victory Securities (HK) and VSAM. Mr. Chan is the spouse of Ms. Kou (Executive Director and Chief Executive Officer of the Company) and the father of Mr. Chan Pui Chuen (Executive Director of the Company).

Mr. Chan has over 43 years of experience in the construction and engineering industry. From May 1978 to August 1980, he worked in Hsin Chong Construction Company Limited as a laboratory assistant. From December 1980 to February 1983, he worked in Wah Hin Company Limited as a site supervisor. From March 1983 to February 1985, he worked in Maunsell Consultants Asia as a senior supervisor. From February 1985 to March 1988, he worked in Nishimatsu Construction Company Limited as an inspector of works. From April 1988 to April 1993, he worked in Hong Kong Electric Company Limited as an engineer. From April 1994 to August 2006, he worked in i-CABLE Network Limited as a project manager and department head of special projects department. Since May 2007, he has worked in Ecobuild Engineering and Technology Company Limited as a director.

Mr. Chan obtained a certificate for housing superintendents from the Haking Wong Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Haking Wong)) in May 1979. He also obtained a certificate in building studies from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1982. He completed the course leading to associate examination of the Chartered Institute of Building and the course leading to final part I examination of the Chartered Institute of Building both from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1983 and June 1984, respectively. He obtained an associateship in building technology and management from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1986. He also obtained a master of business administration from The University of Hull, United Kingdom in February 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ying Wing Ho Peter ("Mr. Ying), aged 36, was appointed as an independent non-executive Director of the Company on 14 October 2019. Mr. Ying is the chairman of the audit committee as well as a member of the nomination committee and remuneration committee of the Company. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Ying has over 14 years of experiences in the accounting, internal audit and corporate finance field. He joined Sanwa Biotech Limited, a company engaged in production and trading of medical devices in December 2020 as chief financial officer, and is responsible in accounting, corporate governance and corporate finance. Prior to that, he is a senior internal auditor in Allianz Asset Management GmbH ("**Allianz**") from October 2016 to July 2020 and is responsible in leading audit projects including product management, investment processes, sales marketing, operations and finance within the Asia-Pacific region. Prior to joining Allianz, Mr. Ying worked in an international audit firm as a manager in financial services assurance.

Mr. Ying graduated from The University of Nottingham in the United Kingdom with a bachelor's degree in Finance, Accounting and Management. He also holds a master degree of Laws (Corporate and Financial Law) from the University of Hong Kong. Mr. Ying is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Liu Chun Ning Wilfred ("Mr. Liu"), aged 60, was appointed as an independent non-executive Director of the Company on 14 June 2018. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Liu has over 34 years of experience in the securities industry. From September 1987 to March 1989, he worked in Prudential – Bache Securities (Hong Kong) Limited as a financial broker. From April 1989 to June 1991, he worked in the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as a planning and development officer and then as a compliance supervisor. From July 1991 to October 1992, he worked in IBJ Asia Limited as a bond trader. From December 1993 to May 1998, he worked in Chong Hing Bank Limited as manager of the securities department and then as a senior manager of the securities department. From May 1998 to February 2014, he worked as an executive director of Chong Hing Bank Limited and was in charge of the securities business division.

From March 1997 to May 2017, Mr. Liu served as a non-executive director of Liu Chong Hing Investment Limited (Stock Code: 194), a company listed on the Main Board of the Stock Exchange which is principally engaged in property investment, property development, property management, treasury investment, trading and manufacturing and hotel operation.

From August 2001 till present, Mr. Liu serves as an independent non-executive director of S.A.S. Holdings Limited (Stock Code: 1184), a company listed on the Main Board of the Stock Exchange which is principally engaged in the distribution of electronic components and semiconductors products; properties investments and distribution of sports products.

From May 2002 to September 2014, Mr. Liu served as an independent non-executive director of Get Nice Holdings Limited (Stock Code: 64), a company listed on the Main Board of the Stock Exchange which is principally engaged in the money lending; property development and holding and investment in financial instruments; real estate brokerage and provision of financial services.

Mr. Liu obtained a bachelor of arts degree in economics from the University of Newcastle Upon Tyne, United Kingdom in July 1987.

Dr. Yan Ka Shing ("Dr. Yan"), aged 36, was appointed and has been an independent non-executive Director of the Company on 14 June 2018. Dr. Yan is the chairman of the nomination committee as well as a member of the audit committee and remuneration committee of the Company. He is primarily responsible for providing independent advice to the Board.

Dr. Yan has more than 10 years of experience in the medical industry and has served in various hospitals managed by the Hospital Authority (the "**HA**") in Hong Kong since July 2011. He is a registered doctor and a Specialist in Endocrinology, Diabetes & Metabolism in Hong Kong, and currently holds a position of Resident Specialist (Medicine) in the HA.

Dr. Yan obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) degree from the University of Hong Kong in November 2011, the Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP (UK)), a postgraduate medical diploma in the United Kingdom, in March 2016, and the Postgraduate Diploma in Infectious Diseases from the University of Hong Kong (PDipID (HK)) in October 2019. He was admitted as a member of the Hong Kong College of Physicians in January 2017, then became Fellow and Specialist in Endocrinology, Diabetes and Metabolism, and has held fellowships from the Hong Kong College of Physicians and the Hong Kong Academy of Medicine (Medicine), since September 2020 and December 2020, respectively. Also, he has been a member of the Hong Kong Medical Association since July 2011.

Dr. Yan was appointed and has been an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited ("**Glory Mark**", stock code: 8159) and Comtec Solar Systems Group Limited ("**Comtec Solar**", stock code: 712) since 5 December 2019 and 1 July 2021, respectively, where he is primarily responsible for providing independent advice to the Board.

Dr. Yan is currently the chairman of audit committee and remuneration committee, a member of strategy and development committee, executive committee and nomination committee of Glory Mark, and a member of audit committee, remuneration committee and nomination committee of Comtec Solar.

SENIOR MANAGEMENT

The executive Directors, Ms. Kou, Mr. Chiu and Mr. Chan Pui Chuen are also members of the senior management. Please refer to their biographies set out above.

CHIEF OPERATING OFFICER

Mr. Lee Yiu Wing ("Mr. Lee"), aged 61, joined the Group in October 2021 and was appointed as the chief operating officer. He is also the responsible officer for type 1 and type 4 regulated activities. Mr. Lee has over 33 years of experience working in the financial services industry. Prior to joining the Group, he was the executive director and sales director for two securities companies which are subsidiaries of banks respectively. He was also appointed as the deputy chief executive and joint managing director of a financial services group which is listed in the Stock Exchange. Mr. Lee holds a degree in economics and management from the University of Guelph in Canada. He is currently a permanent honorary president of the Hong Kong Securities Association and he was the chairman of the Association from 2009 to 2011. He is a member of the Hong Kong Institute of Director and the Hong Kong Securities and Investment Institute.

MANAGING DIRECTOR

Mr. Zhou Lele ("Mr. Zhou"), aged 38, joined the Group in June 2012 and is primarily responsible for overall business development, asset management and strategic planning of global market for the Group. Mr. Zhou has over 10 years of experience in the securities industry. He is currently licensed by the SFC to act as a licensed representative to carry out type 9 (asset management) regulated activities under the SFO. Mr. Zhou was promoted as Managing Director since 1 April 2020.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Kong Yan Yue ("Mr. Kong"), aged 40, joined the Group in December 2018 and was appointed as the chief financial officer of the Group since 18 March 2019. Mr. Kong has over 18 years of experience in auditing, accounting, corporate governance and corporate finance. Prior to joining the Group, he served key managerial roles in the finance department in several companies listed in the Stock Exchange. Prior to that, he worked in the audit and assurance department of an international audit firm. Mr. Kong holds a degree in accountancy and a master degree in corporate governance from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of certified public accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.

Pursuant to Rule 18.44 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**GEM Listing Rules**"), the board of directors (the "**Directors**") of Victory Securities (Holdings) Company Limited (the "**Company**") (the "**Board**") is pleased to present this corporate governance report for the year ended 31 December 2021. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance practices within the Company and its subsidiaries (collectively, the "**Group**") and complying with regulatory requirements, to securing and inspiring confidence of shareholders of the Company (the "**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 2021, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

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 2021.

BOARD OF DIRECTORS

Composition of the Board

The Board is currently comprised of seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

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

Non-Executive Director

Mr. Chan Ying Kit *(Chairman)*

Independent Non-Executive Directors

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

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

For the year ended 31 December 2021, the Company has held 5 regular Board meetings. The meetings were conducted on a live/tele-conference basis and the attendance of Directors is as follows:

Name	Board meetings attended/eligible to attend
Executive Directors	
Ms. Kou Kuen *(Chief Executive Officer)*	4/5(note)
Mr. Chan Pui Chuen	4/5(note)
Mr. Chiu Che Leung, Stephen	4/5(note)
Non-Executive Director	
Mr. Chan Ying Kit *(Chairman)*	4/5(note)
Independent Non-Executive Directors	
Dr. Yan Ka Shing	5/5
Mr. Liu Chun Ning Wilfred	5/5
Mr. Ying Wing Ho Peter	5/5

Note: These directors were not counted in the quorum in one of the Board meetings held on 28 December 2021, in which they have material interests in the grant of share options as set out in the section headed "Share Option Scheme" in the "Report of the Directors" of this report.

The Board

The Board is responsible for the leadership and control of the Company and for promoting the success of the Group by monitoring the Group's affairs. The Board has delegated authority and responsibility to the executive Directors and senior management for the day-to-day operations of the Group who regularly review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has established three standing Board committees, namely the audit committee, the remuneration committee and the nomination committee, and delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance with the Rule 5.09 of the GEM Listing Rules.

Non-executive Directors

CG Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term subject to re-election. The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. A non-executive Director of the Company is appointed for a specific term of 3 years subject to the retirement and re-election provisions according to the provisions of the amended and restated Articles of Association of the Company.

Board Meetings

The Board meets regularly at least 4 times each year at quarterly intervals and discusses the Group's business development, operations and financial performance. Notice of at least 14 days is given to all Directors for a regular Board meeting so as to give all Directors an opportunity to attend. For all other board meetings, reasonable notice is generally given. Agenda and meeting materials for each meeting are normally circulated to all Directors at least 3 days before each Board meeting in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting.

All Directors have full and timely access to all information and to the advice and services of the company secretary and senior management who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. The Directors may, where appropriate, be provided with access to external professional advice in carrying out their obligations as Directors of the Company. Each Director of the Company is required to make disclosure of his/her interests or potential conflict of interest, if any, in any proposed transactions or issued discussed by the Directors at the Board and Board committees' meetings. Any Director shall not vote on any resolution of the Board and Board committees approving any contract or arrangement or any other proposal in which he/she (or his/her associate) is materially interested nor shall he/she be counted in the quorum present at the meeting.

The Directors use their best endeavor to ensure that minutes of all Board meetings and committees meeting are properly kept by the company secretary. All draft minutes of meetings of the Board and the respective Board committees are circulated to all Directors and Board committee members for comments within a reasonable time before submission to the chairmen (the "**Chairman**") of the meetings for approval and the final versions are open for inspection by the Directors.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors of the Company should keep abreast of their collective responsibilities. Each newly appointed Director is given formal, comprehensive and customised induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. In addition, the Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study.

For the year ended 31 December 2021, all Directors, namely, Ms. Kou Kuen, Mr. Chiu Che Leung, Stephen, Mr. Chan Pui Chuen, Mr. Chan Ying Kit, Mr. Ying Wing Ho Peter, Mr. Liu Chun Ning Wilfred and Dr. Yan Ka Shing have participated in the relevant training courses and seminars or have perused relevant reading materials. The Directors had provided the relevant training records to the Company. Participation of continuing training courses of Directors is as follows:

Name	Reading materials[1]	Attending seminars/ conferences[2]
Executive Directors		
Ms. Kou Kuen		✔
Mr. Chan Pui Chuen		✔
Mr. Chiu Che Leung, Stephen		✔
Non-Executive Director		
Mr. Chan Ying Kit		✔
Independent Non-Executive Directors		
Mr. Ying Wing Ho Peter	✔	✔
Mr. Liu Chun Ning Wilfred	✔	
Dr. Yan Ka Shing		✔

Notes:

(1) materials relating to directors' duties and function.

(2) seminars/conferences relating to directors' duties and functions, industry development, business ethics, regulatory updates and tax compliance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Pursuant to code provision A.2.1 of the CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The Chairman of the Board is Mr. Chan Ying Kit, who is responsible for the formulation, management and planning of the Group's overall strategy. The CEO is Ms. Kou Kuen, who is responsible for the business development, operation and day-to-day management of the Group.

BOARD COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three committees, namely the audit committee, the nomination committee and the remuneration committee in order to maintain high standard of corporate governance of the Company.

AUDIT COMMITTEE

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.

The main responsibilities of the audit committee of the Company include, but not limited to:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors;
- to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors;
- to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- to oversee the Company's financial reporting system, risk management and internal control systems;
- to oversee the Company's continuing connected transactions.

The audit committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Ying Wing Ho Peter (chairman of the audit committee), Dr. Yan Ka Shing and Mr. Chan Ying Kit with written terms of reference in accordance with code provision C.3.3 and C.3.7 of CG Code.

For the year ended 31 December 2021, the audit committee held 4 meetings by means of live/teleconference. The Audit Committee has reviewed the quarterly reports for the three months and nine months ended 31 March 2021 and 30 September 2021 respectively, the interim report for the six months ended 30 June 2021 and the audited annual report for the year ended 31 December 2020 during the year ended 31 December 2021.

The members and attendance of the audit committee for the year ended 31 December 2021 are as follows:

Name	No. of meetings of the audit committee attended/eligible to attend
Mr. Ying Wing Ho Peter *(Chairman)*	4/4
Dr. Yan Ka Shing	4/4
Mr. Chan Ying Kit	4/4

REMUNERATION COMMITTEE

The remuneration committee has been established with written terms of reference in compliance with code provision B.1.2 of the CG Code.

The main responsibilities of the remuneration committee of the Company include, but not limited to:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review performance-based remuneration proposals of individual Directors and senior management.

The remuneration committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one executive Director, namely Mr. Ying Wing Ho Peter (chairman of the remuneration committee), Dr. Yan Ka Shing and Ms. Kou Kuen.

For the year ended 31 December 2021, the remuneration committee held 1 meeting by means of live/teleconference. The members and attendance of the remuneration committee for the year ended 31 December 2021 are as follows:

Name	No. of meetings of the remuneration committee attended/eligible to attend
Mr. Ying Wing Ho Peter *(Chairman)*	1/1
Dr. Yan Ka Shing	1/1
Ms. Kou Kuen	1/1

A summary of the work performed by the remuneration committee for the year ended 31 December 2021 is set out as follows:

i. reviewed the Directors' fees and made recommendation to the Board;

ii. reviewed the current remuneration structure/package of the executive Directors and senior management and recommended the Board to approve their specific packages;

iii. reviewed and made recommendation to the Board on the granting of share options and share awards to executive Directors and employees; and

iv. made recommendation to the Board to adopt a revised term of reference of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee has been established with written terms of reference in compliance with code provision A.5.2 of the CG Code.

The main responsibilities of the nomination committee of the Company include, but not limited to:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of the independent non-executive Directors;

- to make recommendations to the Board regarding any proposed appointment and re-appointment.

The nomination committee, with the majority of its members being independent non-executive Directors, currently consists of two independent non-executive Directors and one executive Director, namely Dr. Yan Ka Shing (chairman of the nomination committee), Mr. Ying Wing Ho Peter and Mr. Chan Pui Chuen.

For the year ended 31 December 2021, the nomination committee held 1 meeting by means of live/teleconference to review the structure, size and composition of the Board. The members and attendance of the nomination committee for the year ended 31 December 2021 are as follows:

Name	No. of meetings of the nomination committee attended/eligible to attend
Dr. Yan Ka Shing *(Chairman)*	1/1
Mr. Ying Wing Ho Peter	1/1
Mr. Chan Pui Chuen	1/1

Board Diversity Policy

The Company recognises the importance of diversity at the Board in contributing to the quality of performance of the Company. The Board has adopted a board diversity policy (the "**Board Diversity Policy**"). In designing the Board composition, the Company takes into account a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of Directors is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Where vacancies exist at the Board, candidates are proposed and put forward to the nomination committee for consideration. The recommendations of the nomination committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the nomination committee will give adequate consideration to the Board Diversity Policy which take into account professional experience and qualifications, gender, age, cultural and educational background, working experiences, professional ethics and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity. Equality of opportunity in all aspects of the Company's business is much emphasised by the Company and Board appointments will continue to be made on a merit basis.

In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

EMOLUMENTS TO DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the emoluments paid to the Directors and senior management (exclude commission paid) whose details are disclosed in the section headed "Biographical Details of Directors and Senior Management" for the year ended 31 December 2021 by band are as follows:

Remuneration Band	Number of individuals
Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	4
HK$1,500,000 to HK$2,000,000	1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for reviewing the Company's compliance with the CG Code and its disclosure requirements in the Corporate Governance Report which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the CG Code for the year ended 31 December 2021.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the Company's consolidated financial statements for the financial year ended 31 December 2021 which reflect a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to the Shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

Summary

The Board acknowledges its responsibilities for the establishment and maintenance of adequate and effective risk management and internal control systems to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Shareholders. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is the highest level of the Group risk management and internal control structure. It is ultimately responsible for establishing an effective risk management environment. Its responsibilities include:

- developing the overall risk management targets, risk management policies and internal control systems;
- optimising the governance structure and authorization hierarchy;
- guiding and defining the limits for specific risk management work; and
- authorising responsibilities to other departments.

Based on the risk assessments conducted in the year 2021, the details of significant risks and the relevant risk responses are highlighted as follow:

Risk categories	Risk title	Risk description	Risk response
Strategic, financial and reporting	Clients' default in overdue balance with a concentrated stock position of Victory Securities Company Limited ("**Victory Securities (HK)**")	The Group continued to solidify its customer base by enhancing its marketing capabilities and optimising loan service processes. Due to the keen demand for financing from clients and the Group has been able to cater to the demand from clients with a stronger financing capacity, the business of financing services has been expanding substantially. However, default risks arise associated with margin clients in the following two areas: 1. Single stock concentration; and 2. High loan-to-value ("**LTV**") ratio.	If the borrowing amount from margin clients meets the threshold, the Risk Management Committee will hold a meeting to discuss the issue on a case-by-case basis. The Risk Management Committee will go through know your clients ("**KYC**") procedures. Afterwards, the Risk Management Committee will decide whether: 1. Reject the application; 2. Issue a counteroffer such as (a) reduce the LTV ratio; (b) request additional mortgages such as personal guarantee or other stock deposits; or 3. Accept the application.

Risk categories	Risk title	Risk description	Risk response
Operational	A high turnover rate of officers	Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to its success and maintaining good labour relations is essential for the sustainable development of its businesses. The Group values the relationship with employees. During the year, the Group identifies the following risks due to a rapid turnover of officers: 1. Skill gaps existed in some areas; 2. High costs associated with hiring and training new employees; and 3. Disruptive daily operation if the resigned staff is a person processing specialist knowledge.	The Group implements the following staff retention policies to retain talents: 1. Increase the learning and development opportunities by organising monthly training programs and annual appraisals; 2. Improve employee involvement by organising team building activities; 3. For every departing employee, an exit interview by the human resource department will be conducted to gather information relevant to the reasons for the resignation and to collect feedback that may be useful for improvement on the Group's operations; 4. Conduct a skills gap analysis to identify skill gaps and regularly review and monitor the Group's succession planning; 5. To extend the notice period for the key person who processes specialist knowledge to avoid disruption of the daily operation; and 6. Grant of share options to eligible employees to encourage them to stay and strive for their best.

Risk categories	Risk title	Risk description	Risk response
Strategic and operational	COVID-19 outbreak	Due to the outbreak of COVID-19, travel restrictions and social distance requirements have caused much disruption to business activities related to financial advisory services. Also, corporations still hesitate in fundraising and other corporate activities due to the unforeseeable prospects on different industries as a result of the COVID-19.	The impact of COVID-19 on the Group's strategic and operational performance depends on the duration of the pandemic, which is uncontrollable. The Group will closely monitor the situation and assess its impact on the Group's performance, and maintain appropriate response levels and control measures in response to the COVID-19 pandemic. Also, the Group replaces business travel with video conferencing. A proper quarantine arrangement is in place if business travel is necessary.
Strategic	Stamp duty adjustment challenge – Hong Kong	Stamp duty is charged on transfer of Hong Kong stock by way of sale and purchase at 0.2% (before 1 August 2021) or 0.26% (on or after 1 August 2021) of the consideration (or the market value if it is higher) per transaction. Hong Kong stock is defined as stock the transfer of which must be registered in Hong Kong. The increment of stamp duty has brought an adverse market and investment sentiment. The above change affected the traditional brokerage services in Hong Kong.	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 People's Republic of China, and subscribing for 30% of the issued shares in a Singaporean incorporated asset management company during the year 2020, and also setting up a new subsidiary in Fukuoka, Japan during January 2021. It can diversify the source of income and reduce the impact of the adverse investment sentiment in Hong Kong.

Risk categories	Risk title	Risk description	Risk response
Financial and reporting	Inconsistency in accounting software and standards	As the Group is rapidly expanding, different companies use different accounting software to generate financial reports. Also, companies are required to adopt different accounting standards and taxation systems in their respective countries. The Group faces the above challenges, which contribute to misstatements to its financial statements.	The Group decided to develop a tailor-made accounting system to supersede the existing software. It can avoid the multi-usage of different accounting software. Effective recruitment controls have also been implemented to employ capable employees who possess relevant professional qualifications in the respective region to tackle accounting, taxation and reporting issues.

The Board has periodically reviewed the key risk areas and appropriate risk mitigation strategies. Overall, the Board considers the risk management and internal control systems of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal control systems by considering reviews performed by the audit committee and executive management.

The Group has engaged an external professional consultant to conduct independent internal control review for the year ended 31 December 2021. The review covered parts of the internal control system including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout the year. The Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The Board assessed the effectiveness of internal control by considering the reviews performed by the consultant.

Handling and dissemination of inside information

The Board assesses the likely impact of any unexpected and significant event and decides whether the relevant information is considered inside information. The Company has its own policy on handling and disseminating inside information. The Board handles and disseminates inside information to comply with the requisite inside information disclosure requirements as specified under the Securities and Futures Ordinance and the GEM Listing Rules.

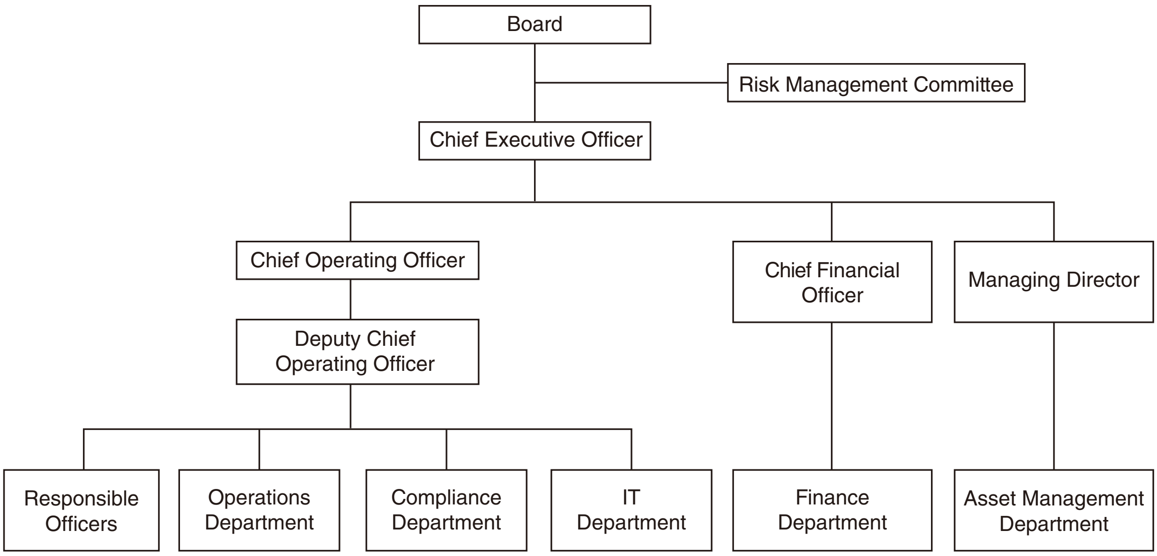
Risk management and internal control process

Risk taking is a necessary and accepted part of the Company's business. The Board has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group's principal businesses are exposed to two major types of business risks, namely financial and non-financial risks. Financial risks include liquidity risks, credit risks, market risks and operational risks, whereas non-financial risks mainly cover regulatory and legal risks.

As part of the Company initiatives to manage these risks, the Board has in place risk management structure and implemented an operation manual, which contains credit policies, operating procedures and other internal control measures. A summary of the risk management structure and key internal control policies and procedures is set out below.

Risk management structure

The Board has established a multi-level risk management structure. Set out below is the organizational structure of the risk management:



Risk management committee

A risk management committee was established in 2017. The main responsibilities of the risk management committee of the Company include, but not limited to:

- to oversee general risk management and internal control systems for the Company's principal business operations;
- to review and modify internal control policies of the Company;
- to formulate contingency plans and monitor the implementation thereof; and
- to ensure all risks associated with the Group's business activities are identified and controlled.

The risk management committee of the Company currently consists of two executive Directors, namely Mr. Chiu Che Leung, Stephen (chairman of the committee) and Mr. Chan Pui Chuen (the deputy chief operating officer), while other members include Mr. Zhou Lele (managing director), Mr. Lee Yiu Wing (chief operating officer), Mr. Kong Yan Yue (chief financial officer), Mr. Yeung Tak Kuen Andy (director of operation – front office) and Mr. Chan Chi On, Andrew (IT director).

Responsible Officers

Responsible Officers have a supervisory and monitoring role in relation to their respective business units which carry out different types of regulated activities. They are responsible for managing and overseeing the daily operations of their respective business units and implementing risk management measures to ensure compliance with regulations and guidelines of the Securities and Futures Commission of Hong Kong (the "**SFC**"). They work closely with the compliance department and take appropriate remedial actions to rectify any irregularity.

Operations departments

Operations departments (front office and back office) perform their risk management function by ensuring that client money is deposited and held into the segregated accounts with authorised financial institutions in accordance with the Securities and Futures (Client Money) Rules and the Securities and Futures (Client Securities) Rules, and that there is no misappropriation of client money and securities, thereby managing regulatory and legal risks of the Group in this regard.

Legal and compliance department

The compliance function of a legal and compliance department consists of setting internal control standards and regulatory compliance of the Group. On internal control, the compliance department sets procedures such as staff dealing policy and reviews control areas such as Chinese wall, segregation of businesses, conflicts of interests, policies on accounts opening and dealing practices. The compliance department assists the relevant business units in periodically reviewing the internal policies in order to cope with the latest developments of the relevant laws and regulations. Furthermore, the legal and compliance department provides legal support to the Group's business functions. On regulatory compliance, the legal and compliance department constantly monitors the requirements applicable to the Company's business and the changes in licensing as well as regulatory requirements of the SFC.

IT department

The IT department performs its IT risk management functions by implementing policies and procedures to ensure the integrity, security, availability, reliability and thoroughness of all information (including documentation and electronically stored data) relevant to the Group's business operations to ensure compliance with the various circulars, guidelines and codes on IT management issued by the SFC.

Finance department

The finance department is responsible for monitoring the Group's compliance with the financial resources return (the "**FRR**") on an ongoing basis, such as computing liquid capital estimation on a daily basis to ensure that timely information is conveyed to the management and submitting an FRR report to the SFC on a monthly basis. The finance department also monitors the daily reconciliation of client trust bank accounts and the Company's bank account for funding and settlement purposes to ensure compliance with the Securities and Futures (Client Money) Rules, conducts review regularly and takes remedial actions as soon as any discrepancy is noted.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditor on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2021 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2021, the amount of fees in respect of audit and non-audit services paid/payable to the auditor of the Group, Ernst & Young, Certified Public Accountants, was set out below:

	2021 HK$	2020 HK$
Audit services		
– Interim agreed-upon procedures	150,000	204,000
– Annual audit	630,000	646,000
Non-audit services		
– Review and taxation	47,000	47,000
	827,000	897,000

COMPANY SECRETARY

Mr. Kong Yan Yue ("**Mr. Kong**") was appointed by the Board as the company secretary. He is the chief financial officer of the Company and the Group and has day-to-day knowledge of the Group's affairs. He reports to the Chairman and CEO and assists the Board to function effectively. All the Directors could have access to the advice and services of the company secretary at any time in relation to their duties and operation of the Board. During the year ended 31 December 2021, he complied with the qualification and training requirements under the GEM Listing Rules. The biographical details of Mr. Kong are set out under the section "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the amended and restated Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting (the "**EGM**") to be called by the Board for the transaction of any business specified in such requisition. The written requisition shall be deposited to the Company's office at Room 1101–3, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two-way communications with the Shareholders through various channels. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company, or for putting forward any proposals at a Shareholders' meeting:

Address:	1101–3, 11th Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong
Telephone no.:	(852) 2525 2437
Fax no.:	(852) 2810 7616
E-mail:	cs@victorysec.com.hk
Attention:	The Board of Directors/The Company Secretary

Shareholders are encouraged to direct their questions about their shareholdings to the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "**AGM**") and EGM of the Company and to put their enquiries to the Board directly. Notice of the AGM is sent to the Shareholders at least 21 days before holding of the AGM. The Chairman of the Board, chairmen of each of the remuneration committee, nomination committee and audit committee, the CEO and the senior management will attend the aforesaid meetings and respond proactively to the Shareholders' enquiries.

Procedures for putting forward proposals by Shareholders at Shareholders' meetings

Shareholders may include a resolution to be considered at an EGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene an extraordinary general meeting".

INVESTOR RELATIONS

The Company believes that maintaining a continuing dialogue with Shareholders and other stakeholders is a key to enhance investor relations. The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including quarterly, interim and annual reports, announcements and circulars. All published information is uploaded to the Group's website at www.victorysec.com.hk.

The Shareholders' meeting provides a useful channel for Shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs. In addition, the Shareholders may also submit enquiries to management and make recommendations to the Board or senior management by sending an e-mail to complain@victorysec.com.hk, by facsimile (fax: +852 2810 7616) or by telephone (tel: +852 3426 9376). Moreover, the Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

The procedures to elect directors were uploaded to the Company's website (https://www.victorysec.com.hk/zh-hk/investor_relations/director_election).

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 December 2021, there had not been any changes in the Company's constitutional documents.

DIVIDEND POLICY

The Company has adopted the dividend policy which set out the factors in determination of dividend payment of the Company such as the Company's financial performance, expected cash inflow and outflow, and the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

OVERVIEW

Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is pleased to present the environmental, social and governance report (the "**ESG Report**"). This ESG Report discloses and summarizes the policies and performance of the Group in respect of the environmental, social and governance ("**ESG**") responsibilities which are considered as material during the year ended 31 December 2021.

The board of directors of the Company (the "**Board**") has the overall responsibility for the overall leadership in formulating ESG strategies and the ESG Report. The Board is committed to managing and improving its sustainability performance by examining the Group's sustainability objectives, strategies, priorities, initiatives and goals, as well as the related significant policies and frameworks that support their achievement. The Board also formulates policies to mitigate business risks associated with material ESG-related issues, if any.

SCOPE AND REPORTING PERIOD

The report was prepared in accordance with the requirements at the ESG Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

The report covered material ESG-related issues in relation to the principal businesses of the Group, including the provision of (i) securities/futures/insurance policies broking services, 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, where its operation are located mainly in Hong Kong and partly in mainland China, Japan and Singapore for the period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), which demonstrates the Group's overall ESG objectives and efforts.

The Group has offices in Hong Kong, the Peoples' Republic of China ("**PRC**"), Japan and Singapore, but most of the Group's principal operations are performed at its offices in Hong Kong. The ESG Report focuses on the major operations of the Group in its head office in Hong Kong, while operations in PRC, Japan and Singapore had no significant environmental and social impacts and were excluded from the reporting scope.

REPORTING PRINCIPLES

To unbiasedly reflect the Group's ESG strategies and performances, the Group adheres to the following reporting principles:

Materiality

The Group believes that comments and feedback from stakeholders are highly valued. Therefore, the Group identifies, assesses and analyses the importance of ESG reporting issues based on different communication channels, such as annual general meetings, staff meetings, stakeholder surveys, daily email and telephone communications with internal and external stakeholders. The issues that are most significant to the Group in terms of its environmental and social impacts are considered material and disclosed in the ESG Report. The Board and the management will regularly review these ESG-related issues to ensure such issues and any business risks associated with such ESG-related issues are being addressed.

Quantitative

The report discloses material environmental and social key performance indicators ("**KPIs**"), which is with reference to international standards, within the operations of the headquarter located in Hong Kong. This allows the Company to review, evaluate and validate the effectiveness of ESG initiatives and measures. Quantitative information will be provided with narrative and explaining its purpose if appropriate.

Consistency

The report is prepared with consistency in terms of methodology with the ESG Report from 1 January 2020 to 31 December 2020 (the "**Previous Year**") which is in accordance with the ESG Reporting Guide set out in Appendix 20 to the GEM Listing Rules.

STAKEHOLDER ENGAGEMENT

The concept of sustainability has been an evolving topic in recent decades, it is becoming a key concern that draws the attention of stakeholders. The Group values sustainability principles and strives to promote environmental initiatives and corporate social responsibilities throughout corporate development.

The Group understands that standalone effort is minimal and therefore see the engagement of its stakeholders as essential to review the progress made against ESG-related goals and targets which are related to the Group's businesses. The Group ensures various communication channels are set up so that comments and feedback from major stakeholders are effectively and timely addressed. Through regular stakeholder engagement, the Group can identify relevant ESG-related issues that are most material to the Group. By understanding their concerns and expectations regarding ESG-related aspects, the Group can better identify, assess and evaluate ESG-related initiatives and improve its ESG strategies and performance.

The following table sets out our major stakeholders, their expectations for the Group and the communication channels.

Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Business strategies and sustainability • Corporate governance • Effective communication • Financial performance • Risk management • Transparency	• Annual, interim and quarterly reports • Annual general meetings • Circular and announcements • Company website • Extraordinary general meetings • Investor briefings • Mail, email, facsimile and telephone communication
Clients	• Complaint handling mechanism • Information and cyber security • Integrity • Service effectiveness and stabilities • Service quality and reliability	• Customer satisfaction survey • Mail, email, facsimile and telephone communication
Government and Regulatory Authorities	• Compliance with laws and regulations • Contribution in local employment • Fulfil tax obligations • Integrity and honesty	• Statutory filings and notification • Written or electronic correspondences
Suppliers	• Fair and open selection • Transparency	• Business meetings • Mail, email, facsimile and telephone communication • Inspections
Community and the Public	• Environmental and social contribution • Information transparency • Participation in community events • Promotion of corporate social responsibility	• Announcements • Company website • ESG report
Employees	• Equal opportunity • Humanity cares • Occupational health and safety • Protection of rights • Remunerations and benefits • Training and career development	• Departmental meetings • Employee activities • Notice boards • Performance appraisals • Training and seminar

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send it to the Group via email at esg@victorysec.com.hk.

ENVIRONMENTAL

Policies on environment and energy

During the Reporting Period, the Group continued making its best endeavours to protect the environment in its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operations, in order to minimise these impacts if possible. Various measures have been adopted to reduce energy and other resource use, minimise waste and increase recycling, and promote environmental protection in its supply chain and marketplace. These measures are discussed in section "Use of Resources" of this ESG Report.

The Group consumed mainly on two types of resources, namely electricity and fuels for transportation. Due to the business nature the Group's business activities did not consume a significant volume of water during the Reporting Period. The Group establishes internal environmental policies to demonstrate the commitment of the Group and management in promoting values of sustainability. Staff are also encouraged to involve in the planning and establishment of environmental policies to further promote engagement from different stakeholders.

Use of Resources

Electricity and Energy Usage

The Company is an investment holding company, the subsidiaries were principally engaged in (i) securities/futures/insurance policies broking services, 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 in Hong Kong. As the Group's business nature is the provision of financial services with relatively low energy, power and resources consumption in its sole office in Hong Kong, its direct environmental impact is immaterial to the Group's daily operations and business development.

The Group carried out most of the business activities in the Hong Kong office. Therefore, electricity consumption is the primary source of carbon emissions in the Group's operation in Hong Kong. Another energy consumption includes the consumption of unleaded petrol by the three (2020: two) vehicles owned by the Group.

The office consumed 42,965.00 kilowatt-hours ("**kWh**") of electricity during the Reporting Period (2020: 41,416.00 kWh). The major energy-consuming equipment include lighting, air-conditioning, computers, copying machines and some small power equipment. The Group owns three (2020: two) vehicles for daily commute for business purpose. A total of 2,333.29 litres of unleaded petrol were used by vehicles during the Reporting Period (2020: 1,152.69 litres).

Greenhouse Gas ("GHG") emissions

The GHG emissions emitted by the Group's business operations in 2021 were approximately 41 tonnes (2020: 41 tonnes) of carbon dioxide equivalent ("**CO_2e**") and mainly produced from three types of activities, including direct emissions of Carbon Dioxide ("**CO_2**"), Methane ("**CH_4**") and Nitrous Oxide ("**N_2O**") from company-owned vehicles, indirect emissions from electricity consumed by the company's office and other indirect emissions from the use of paper and business air travel for company staff.

Vehicles owned by the Group

During the Reporting Period, the Group consumed 2,333.29 litres (2020: 1,152.69 litres) of unleaded petrol in its vehicles. The consumption of unleaded petrol has released 6.32 tonnes (2020: 3.12 tonnes) CO_2e of CO_2, CH_4 and N_2O. In purchasing its fuel, the Group takes environmental protection and energy efficiency into due consideration.

Electricity Consumption

The office of the Group consumed 42,965.00 kWh (2020: 41,416.00 kWh) of electricity during the Reporting Period. Regarding the GHG Emission Factor provided by the power company, electricity consumption of the Group has released 30.51 tonnes (2020: 33.55 tonnes) of CO_2e during the Reporting Period. In view that office electricity consumption depends on actual demand and there is only one electricity supplier in Hong Kong Island in which the office is located, specific efficiency target may not be feasible.

However, global warming and climate change are among the major environmental concerns in every part of the world. In an effort to reduce carbon footprint and mitigate emissions, the Group actively promotes efficient use of energy and adopts green technologies in its head office. The Group encourages the adoption of energy-saving and environmentally-friendly practices in daily office operations. Measures were taken for energy conservation, including but not limited to:

- Purchase energy-saving office equipment and appliances, such as the use of LED lights and energy-saving light bulbs
- Higher priority will be given to purchasing electrical appliances with high energy efficiency grades
- Turn off lights and electronic appliances in the office premise when not in use
- Implement ongoing improvements to equipment including illumination and air-conditioning systems to uplift the overall energy efficiency
- Apply energy-saving modes by default for all electrical appliances for each department's computers, photocopy machines, printers and facsimile machines
- Staff are regularly reminded to turn off unnecessary electrical appliances to save electricity when they are off duty or on leave
- Oversee electricity bills regularly to monitor the energy performance of the office
- Maintain the temperature setting of air-conditioners between 24–26°C following recommendations of the Environmental Protection Department

Business Air Travel of Staff

Business travels by air contributed to GHG emissions. Business air travels to other cities are mostly short-haul. Due to the outbreak of COVID-19, the total number of business air travel during the Reporting Period is 10 times (2020: 11 times). With reference to the International Civil Aviation Organization ("**ICAO**"), the GHG emissions from the air trips are 1.15 tonnes (2020: 1.51 tonnes) CO_2e in total. To mitigate the GHG emissions, management and staff are highly encouraged to hold a video conference call, if feasible, to avoid carbon footprints and air pollutant emissions contributed by transportation in the future.

Use of Paper

Office paper is the main non-hazardous wastes produced in the Group's operations. The Group continues to encourage a paperless working environment which not only reduces environmental damage but also fits commercial goals, as it can save physical space, facilitate information sharing via IT networks, and reduce complicated documentation procedures.

During the Reporting Period, the total paper consumption of the Group was 609.67 kg (2020: 588.46 kg). The consumption of papers of the Group has released 2.93 tonnes (2020: 2.82 tonnes) of CO_2e during the Reporting Period.

Waste Management

Hazardous and Non-hazardous waste

No hazardous wastes or packaging materials are produced from the business operations of the Group due to the business nature. The type of non-hazardous waste produced by the Group is mainly solid wastes from daily business operations, comprising of used paper and daily office waste.

With the growing awareness for reduction of waste, other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycled paper is highly recommended except for formal and confidential documents. The Group also encourages its staff to recycle waste paper if possible, and use laptops or tablets instead of paper for meetings. Furthermore, to reduce one-off consumption, refillable or reusable stationery are procured for the office.

In recent years, the Group widely adopted digitized services including electronic statements, electronic mails and messaging tools to disseminate the latest information to its customers. The policies for a paperless workplace contribute to environmental protection as well as saving on operating expenses.

Breakdown of GHG Emissions

GHG mainly comprises of CO_2, CH_4 and N_2O. The Group's operation emitted a total of 40.91 tonnes (2020: 41.00 tonnes) of CO_2 GHG during the Reporting Period. To account for direct and indirect emissions, different types of emissions are categorized into "scopes" as follows:

Scope 1 refers to direct emissions which are GHG emissions generated from mobile combustion sources. Scope 2 covers indirect emissions which refers to GHG emissions generated from purchased electricity, where Scope 3 covers other indirect emissions, for instance, the GHG emissions generated from business air travel of staff.

The GHG emission calculation was made in accordance with the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong by Environmental Protection Department and Electrical and Mechanical Services Department".

Table on GHG Emission Data

Scope of GHG emissions	Sources of GHG emissions	Consumption	CO_2e emissions (tonnes)	Intensity (CO_2e tonnes per fulltime staff)
Scope 1 Direct emissions	Consumption of unleaded petrol by the Group's fleet of vehicles	2,333.29 litres	6.32	0.11
Scope 2 Indirect emissions	Purchase and use of electricity	42,965.00 kWh	30.51	0.52
Scope 3 Other indirect emissions	Business air travel of employees	10 times	1.15	0.02
	Use of paper	609.67 kg	2.93	0.05
Total GHG emissions			40.91	0.70

The Environment and Natural Resources

The Group is committed to providing quality financial services to its clients in a manner that minimizes its potential adverse impact on the environment. The Group seeks to achieve sustainability principles by following the internal environmental policies which focus on energy management and waste management during business operations. The Group aims to improve the energy efficiency of the office premise and promote energy conservation to staff.

As a supporter of environmental protection, the Group also strives for a paperless working environment and considers the importance of waste reduction in business operations. Waste management facilities such as recycling bins and promotional posters and signage have been adopted which bring out the values of "consume less, produce less waste, and reuse or recover value from waste". The Group also considers environmental performance when making investment decisions in order to promote the global environment.

Climate Change

The Group is a financial services provider which does not involve production. The increase in temperature may lead to an increase in the energy consumption of the Group's offices and branches. The Group will continue to monitor the potential risks of climate change and its impacts on the Group's operations and customers, and devise and implement preventive and emergency measures accordingly. Besides, the Group will continue its efforts to control energy consumption and carbon emissions.

The Group is fully aware of operational risks brought forth by climate change. Therefore, the Board is responsible for providing effective governance for integrating and addressing the climate change issue within its businesses, which include conducting, reviewing and monitoring the climate change risk related to its business operations, if any. The Board develops its risk management system to identify, prioritize and assess climate change-related risks such as heatwaves, drought, typhoons according to the impact and likelihood of such risk. Due to the business nature, the Board does not anticipate any significant climate-related issues which have impacted, and those which may impact, the Group and the actions taken to manage them.

SOCIAL

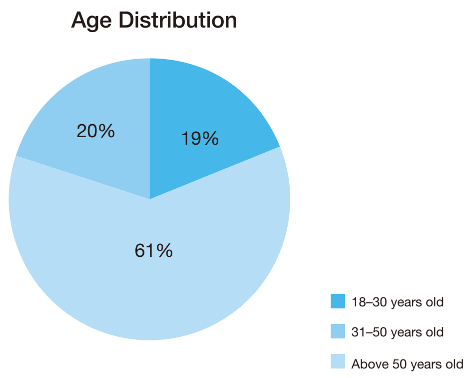
Employment and Labour Practices

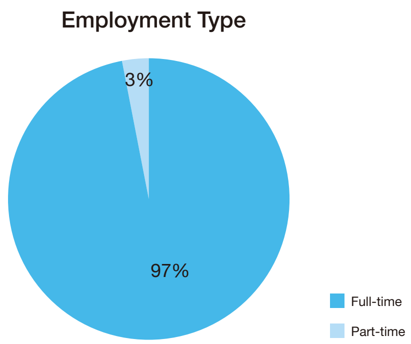
Employment

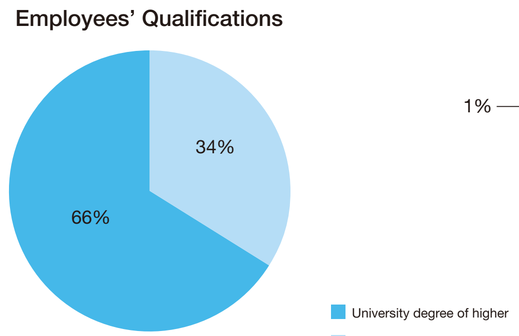
As of 31 December 2021, the Group had a total headcount of 59 employees (excluding independent non-executive directors) (2020: 53 employees).

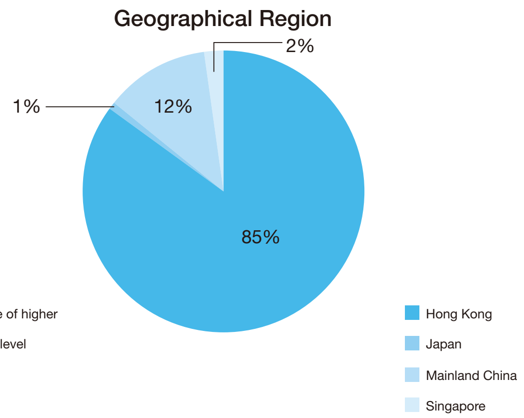
The Group believes that employee health and well-being is critical to the business and can improve employees' motivation and production. The Group has developed a staff manual that regulates the recruitment, promotion, discipline, working hours etc. All employees are entitled to medical insurance, discretionary bonus, medical benefits, paid annual leaves, paid sick leaves, paid birthday leaves, educational subsidies, examination subsidies and so forth. The Group not only rewards and recognizes employees by competitive remuneration package and promotes career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees.

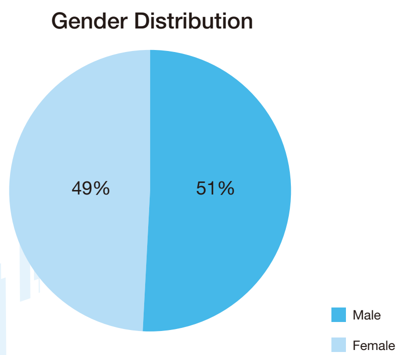
Analysis of workforce of the Group is set out below:











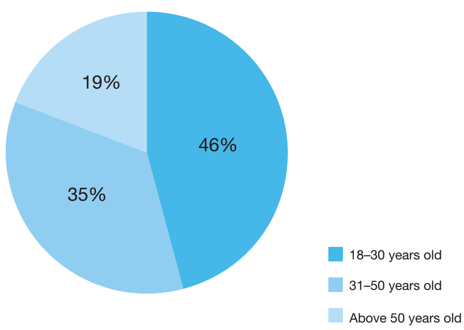
The Group emphasized on equal opportunities for all employees for hiring, salaries, training and development, promotion and other aspects of employment.

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to the Group's success. The Group was committed to providing a work environment free from any form of discrimination on the grounds of gender, ethnicity, race, disability, age, religious belief, sexual orientation or family status. Diversity is well supported in the Group's corporate culture.

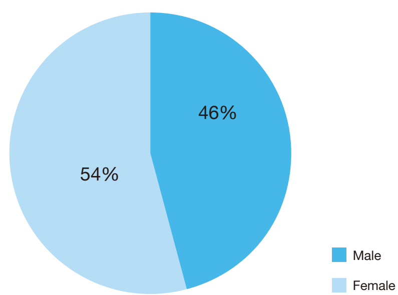
Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for the sustainable development of our businesses. The Group values the relationship with employees. For every departing employee, an interview by the human resource department will be conducted to gather information relevant to the reasons for the resignation and to collect feedback which may be useful for improvement on the Group's operations. The staff turnover rate among managerial positions is relatively low, reflecting a high level of employees' satisfaction and engagement with the Group.

The turnover rate of the Group is approximately 46% during the Reporting Period. Analysis of turnover rate of the Group is set out below:

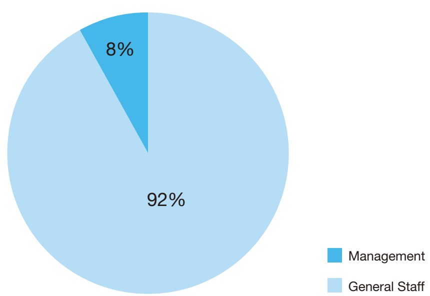
Age Distribution



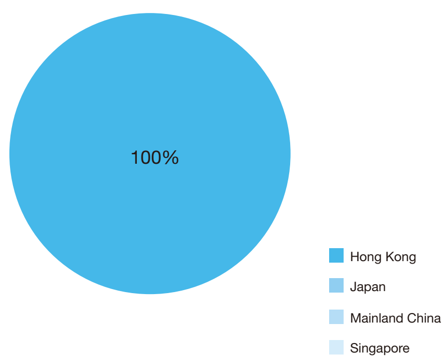
Gender Distribution



Employee Category



Geographical Region



During the Reporting Period, the Group is not aware of any material non-compliance with any applicable laws and regulations, including but not limited to the Companies Ordinance, the Employment Ordinance, the Minimum Wages Ordinance, the Sex Discrimination Ordinance and the Race Discrimination Ordinance in relation to employment matters.

Health and safety

The Group provides a safe and healthy workplace for its employees in compliance with the Occupational Safety and Health Ordinance and the Employees' Compensation Ordinance in Hong Kong.

The occupational health and safety of its employees are of paramount importance to the Group. To strive for a safe and comfortable working environment for its employees, the Group organizes health seminars and implements safety measures such as regular inspections on ventilation systems and office facilities. In order to provide employees with health coverage, the Group also establishes medical subsidies and encourages its employees to perform regular medical check-ups to safeguard their health.

In responding to the outbreak of coronavirus epidemic, the Group has strengthened protective measures to safeguard the health of employees, the following hygiene measures are also adopted:

- distribution of masks and sanitizers for personal protection;
- enhanced sterilization of office area;
- free testing of coronavirus is provided;
- upon arrival at the office, employees are required to measure their body temperature at the reception and wash their hands before working. Those with fever or respiratory symptoms or sudden loss of taste/smell will be refrained from work;
- employees are strongly recommended to avoid non-essential overseas travel. If it is unavoidable to travel to countries/areas outside Hong Kong, they are required to report to the human resources department and take self-quarantine at home for at least 14 days before reporting duties;
- employees should wear masks as far as feasible and keep appropriate social distance with others when in common facilities (e.g. resting room, conference room, pantry etc.) of the workplace. In case wearing a mask is not feasible, for example when having a meal, staff should keep at least 1.5 metres with each other;
- employees who were vaccinated, in recognition and appreciation of their support for the COVID-19 Vaccination Programme, will be allowed to apply for 1.5 days of paid leave for each dose already received; and
- flexible working hours and work from home arrangement.

During the Reporting Period, the Group had not experienced any non-compliance with the relevant health and safety laws and regulations. Also, there were no work-related injury and lost days during the Reporting Period, and there were no work-related fatalities occurred in each of the past three years including the Reporting Period.

Work-life balance

Apart from the legal benefits, the Group would organize social welfare activities during traditional festivals and on special occasions, with the aim to cultivate a positive working atmosphere and to build a cohesive team. The Group has emphasized the holistic development of its employees. The Group is dedicated to helping employees to maintain a work-life balance through reasonable vacation entitlements, as well as actively organizing a wide variety of recreational and leisure activities, such as Lunar New Year party, Christmas party and lucky draws. Furthermore, regular gatherings are organized by the Group to enhance the health and well-being of its employees, as well as to strengthen the connections and teamwork among everyone in the Group as a whole.

Development and training

The Group believes that employees are one of the most important assets of the Company, and invests heavily in employee development and training and that employees can grow with the Group by realizing their values based on their interests and expertise.

The Group is subject to various ordinances, rules and guidelines such as, but not limited to, the Securities and Futures Ordinance, Money Lenders Ordinance, the Personal Data (Privacy) Ordinance, the GEM Listing Rules and the Securities and the Guideline from the Securities and Futures Commission (the "**SFC**") on Anti-Money Laundering ("**AML**") and Counter-Terrorist Financing ("**CTF**"). It is vital to ensure that all employees can fulfil the relevant job requirements in terms of education, training, technical and work experience.

The Group encourages and subsidizes employees at different job grades to enrol and/or participate in external development or training courses in support of their career and professional development. The Group also provides in-house training courses monthly on different areas such as corporate governance and compliance to rules and regulations applicable to listed companies, industry-specific regulatory requirements, accounting and finance as well as updates on industry development. The Group has adopted relevant policies to ensure that employee training is provided and managed systematically. Data on employee training of the Group during the Reporting Period are as follows:

	Percentage of employee trained	Average training hours per employee
By gender		
Female	69%	17 hours
Male	77%	16 hours
By employee category		
Management	89%	12 hours
General staff	70%	17 hours

The Group has a well-established performance management system. A performance assessment for each employee is conducted by that employee's supervisor annually and employees are required to work with their supervisors to set a performance target after each assessment. Supervisors are encouraged to provide constructive feedbacks regularly to assist the personal growth of each employee.

Labour standards

The Group strictly complies with the Employment Ordinance (Cap. 57, Laws of Hong Kong) and other statutory requirements regarding employment and labour practices. The Group is dedicated to providing equal opportunities in all aspects of employment and ensure the workplace is free from discrimination. The Group ensures employees receive fair and competitive remuneration packages in accordance with their experience, qualifications, performance and market rates, and are being reviewed on a regular basis. To attract and retain talent, comprehensive benefits are provided by the Group, such as employer's voluntary MPF contributions, medical coverage, life insurance and extra paid annual leave. Each Hong Kong employee is also entitled to one day of birthday leave, providing them with an additional day off in lieu of a birthday gift.

The Group prioritizes the basic rights and interests of its employees and is committed to establishing an inclusive culture and embracing the diverse backgrounds of employees. The Group's employee handbook covers policies and guidelines related to employment practices, such as working hours, rest periods, equal opportunities, anti-discrimination and other benefits and welfare, etc. All recruitment, remuneration, training and promotion mechanisms are carried out impartially, and individuals are assessed solely based on professional experiences and/or work performances. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its employees enjoy all statutory rights.

Recruitment is conducted by the human resources department of the Group according to applicable laws and regulations such as the Employment Ordinance and the Occupation Safety and Health Ordinance in Hong Kong. The Group has established a standard and comprehensive recruitment procedure in collecting and verifying personal data and confirming the identity of the new employee to ensure there is no child labour or forced labour. During the Reporting Period, the Group did not observe any non-compliance in labour standards in accordance with relevant laws and regulations.

Operating practices

Supply chain management

The Group has established and implemented a supplier management system to monitor environmental and social risks. As a financial services provider, the Group's suppliers mainly include hardware and software vendors, stock quote and market information vendors, legal and accounting services professionals and office equipment suppliers. In making decisions for procurement, suppliers are evaluated and graded by numerous factors including historical price quotations, product quality, technologies, financial status, performance, environmental and social policies by suppliers and so forth. The Group gives priority to products or services that are more environmentally friendly. The Group conducts reviews and checking processes regularly, suppliers that are not able to meet the Group's standard will be taken out from its supplier's list. The results of the review and evaluation are used as a supplier management basis and are used as a benchmark for future continuation or termination of cooperation.

Number of local suppliers of the Group	Number of overseas suppliers of the Group
78	13

Product responsibility and customer services

The Group has earned trusted relationships with its broad customer base through providing dedicated customer services.

The Group has set up comprehensive internal control and compliance procedures to ensure full compliance with all relevant laws and regulations by the Group's members. Concerning the financial services business, the compliance department is responsible for ensuring that business operations comply with laws and regulations. Furthermore, it keeps a close eye on changes to laws and regulations in the areas where it operates and makes appropriate and timely adjustments in its internal control policies.

To provide quality products and excellent service to its clients, the Group encourages employees to know its clients and their needs through day-to-day interactions, with the aim of providing excellent client service. The Group also provides on-the-job training and in-house training courses to its frontline employees to ensure that employees apprehend the nature and risks underlying financial services and that they are equipped with professional knowledge sufficient for them to provide the most suitable advice to their clients under all circumstances. Management will review the Group's transaction system regularly and make improvements on the transaction system, including the internal control and management system or facilities, where necessary, to avoid any occurrence of system failure.

The Group believes that maintaining a continuing dialogue with clients and other stakeholders is a key to enhance investor relations. While providing professional and responsive services to its customers, its services may fall short of their initial expectations. Thus, a mechanism has been established to effectively respond to requests or complaints. With the various communication channels, including representatives, customer hotline, e-mail and corporate web page, all disputes and complaints are investigated and resolved promptly. Complaints are dealt with independently by the compliance department, which replies accordingly to the respective customers and/or relevant law enforcement bodies.

Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units regularly. The management must ensure that business is conducted under the applicable laws and regulations.

During the Reporting Period, the Group is not aware of any material non-compliance with any applicable laws and regulations in Hong Kong relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have or would likely have a material adverse effect on the Group.

Intellectual property rights

The Group respects the intellectual property rights and strives to protect intellectual property rights of its own and third parties. The Group has obtained all licenses, qualifications and permits that are required of its business operations. All software installed by the Group is purchased through legitimate sources.

Protection of data

For the protection of privacy in respect of personal data, the Group emphasizes the importance of the confidentiality of personal data and the privacy of its clients and has developed its policies for the protection of personal data based on the Personal Data (Privacy) Ordinance when collecting, processing and using clients' data. The Group adopts six data protection principles and other relevant provisions in the Personal Data (Privacy) Ordinance and reviews its policies from time to time to avoid and prevent the misuse or leakage of personal data.

Anti-corruption

In order to enhance ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption, anti-money laundering and counterterrorist financing. To ensure and mitigate the associated risks, adequate procedures on customer screening and monitoring, "know your customer" practices, record keeping, and reporting suspicious circumstances are established in accordance with the relevant laws, codes and guidelines issued by the regulatory authorities.

The Group strictly abided by the regulations pertinent to anti-corruption, anti-bribery and anti-money laundering, etc. The Group has implemented commercial bribery prevention management policies on anti-corruption and anti-money laundering to achieve the business philosophy of providing reliable services.

Regarding the "Guideline on Anti-Money Laundering and Counter-Terrorist Financing" issued by the SFC, the business team eliminated any illegal activities such as money laundering by formulation and implementation of the corresponding policies, procedures and control measures following the relevant provisions and standards for combating money laundering and terrorist financing. The training was arranged during the Reporting Period for employees of all-levels in enhancing their awareness of AML and CTF. The Group combatted money laundering by the establishment of effective reporting mechanism and due diligence assessment of various risks associated with country, customer, product and/or service.

It is essential for the Group's employees to acquire a better understanding of bribery, extortion, corruption and related acts. The Group has developed its policies against bribery and the receipt or provision of gifts. In all circumstances, employees must declare any receipt of gifts or benefits to the Group to eliminate illegal activities such as money laundering, bribery, extortion and fraud. It targets to ensure every employee adheres to applicable legal requirements and make ethical business decisions, and to outline acceptable and unacceptable conduct in employees' daily business activities.. Furthermore, whistle-blowing policies apply to all stakeholders including employees, shareholders, customers and suppliers. The whistle-blowing mechanisms allow stakeholders to report suspected misconduct, malpractices or fraudulent activities with confidence. Cases reported are followed up independently.

During the Reporting Period, the Group is not aware of any material non-compliance with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong, in relation to the Group's business operation.

Compliance with laws and regulations

The Compliance Department of the Group works to provide an in-house compliance service that effectively supports various operation units in their duties and day-to-day operation to comply with all applicable laws, rules and regulations (such as Securities and Futures Ordinance and its subsidiary legislations, Prevention of Bribery Ordinance and Codes and Guidelines issued by SFC) with the assistance of an external legal advisers.

Updates to the relevant applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The Group holds relevant required licenses for provision of services, such as dealing in securities and futures contracts; advising on securities and futures contracts; advising on corporate finance and asset management; and insurance broker licenses, etc. The management must ensure that business is conducted in accordance with the relevant applicable laws and regulations.

COMMUNITY

Community investment

Recognizing the responsibility of a good corporate citizen to contribute to the community, the Group recognizes the importance of contributing to the society through donation and advocating employees to participate in volunteering activities. The Group believes engaging and taking care of employees' wellbeing is also an important element to the success of its business. Employees are encouraged to participate in volunteer work and improve their wellbeing to unlock their full potential. The Group's management team also plays an important role in mobilizing staff to join all these activities, which are held in tandem with its commitment to sustainable development.

Business School Partnership Program

The Group participated in the professional exchange program organized by the Hong Kong Federation of Youth Group. This program provides a platform for students and professionals to exchange ideas and communicate with each other, hence ultimately achieving the goal of whole-person development through the program. Besides, the Group has acquired the Heart to Heart Company membership. It is believed that by joining the platform, the Group can participate in various services and start the caring action, and to facilitate Hong Kong's sustainable development.

Caring for the disadvantaged groups

The Group cares for the disadvantaged groups in the communities. The Group participated various volunteering activities organized by Hong Kong Playground Association in response to the needs of the elderly, the disabled and children.

The missions of Hong Kong Playground Association are:

- To promote the holistic development of young people;
- To advocate and arouse social awareness of a social environment conducive to the holistic development of young people;
- To support disadvantaged young people to meet challenges in life, to acquire life goals, and to become constructive members of society;
- To cultivate civic-mindedness in young people, hence propelling their participation in regional and national affairs; and
- To provide young people with opportunities to expound their potential and creativity, and strengthen their resilience and competitiveness.

On 4 December 2021, with the assistance of Hong Kong Playground Association, the Group visited to various flats in Cheung Fat Estate, conveying love and care to the elderly.

Green culture

To support the building of green culture and protecting the natural environment, the Group sponsored and participated to a volunteering workshop organized by HK Timberbank to raise employees' awareness about sustainable development.

HK Timberbank is an eco-social enterprise, and proposes the concept of R3:

- Recycle – To recycle felled trees using professional sawmill, dry kiln and various machines, HK Timberbank hopes to make a positive impact by eventually reducing the city's reliance on imported wood;
- Redesign – HK Timberbank believes design can bring the beauty of felled timber back to light. Salvaged timber is turned into commercial building materials, furniture and outdoor art installations; and
- Relink – HK Timber Foundation organizes Timberbank Volunteer Team. Collaborating with professional arborists, the team conducts tree pruning, after-typhoon disasters tree caring services, routine maintenance projects for social needed.

The Group also believes by encouraging employees to actively participate in different charitable events, community awareness will be raised, and more people will be inspired to take part in serving our community. The Group will exert more resources to support social events and explore the possibility to identify suitable partners and support community and environmental programmes in the future.

For more details, please scan the below QR code or access to the Company's website.
(https://www.victorysec.com.hk/zh-hk/files/ESG_REPORT_Victory-Securities.pdf)

REPORT OF THE DIRECTORS

The board of directors (the "**Directors**") of Victory Securities (Holdings) Company Limited (the "**Company**") (the "**Board**") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Consolidated Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are engaged in the provision of a wide range of securities broking and related financial services to clients including (i) securities/futures broking/insurance policies, placing and underwriting services and advising on securities services; (ii) financing services; (iii) assets management services; (iv) financial advisory services; and (v) investment consultancy services. The activities of its principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 86 to 87 of this annual report

An interim dividend of HK1.30 cents per share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK1.30 cents per share) amounting to approximately HK$2,600,546 was paid to the shareholders of the Company ("**Shareholders**") on 10 September 2021.

The Board recommended the payment of a final dividend of HK1.60 cents per share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK1.70 cents per share), amounting to approximately HK$3,200,672 to those Shareholders whose names appear on the register of members at the close of business on Tuesday, 31 May 2022, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 26 May 2022 ("**2022 AGM**"). It is expected that the final dividend will be paid on or about Wednesday, 22 June 2022, if approved.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2022 AGM

The register of members of the Company will be closed from Friday, 20 May 2022 to Thursday, 26 May 2022, 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 2022 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, 19 May 2022.

To qualify the proposed final dividend

The register of members of the Company will also be closed from Wednesday, 1 June 2022 to Monday, 6 June 2022, 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, 31 May 2022.

BUSINESS REVIEW

The fair review of the Group's business, a discussion and analysis of the Group's performance for the year ended 31 December 2021 and an analysis of the likely future development of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 8 to 19 of this annual report respectively. Description of the principal risks and uncertainties facing the Group and the Board approach to these risks are set out in the Corporate Governance Report from pages 33 to 39 and note 38 to the financial statements respectively.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, save as those disclosed in this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and acts in an environmentally responsible manner, the Group adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling used papers and energy saving.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are valuable assets to the Group, therefore the Group provides a competitive remuneration package to attract and retain competent employees. The Group regularly reviews the remuneration package of the employees to ensure it conforms to the market standard. The Group also endeavours to maintain good relationships with clients and banks to achieve its corporate mission and goals by maintaining effective communications between the Group and its clients and business partners. During the year ended 31 December 2021, there was no material and significant dispute between the Group, its clients and business partners.

USE OF PROCEEDS FROM SHARE OFFER

Details on the use of proceeds from share offer as at the date of this annual report are set out on page 18 in the section headed "Management Discussion and Analysis" to this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 176 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group acquired property and equipment at a cost of HK$871,945.

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 15 to the financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2021 are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2021 are set out in note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 90 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution amounted to approximately HK$48,592,994. The amount represents the sum of the Company's share premium and accumulated loss, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme and share award scheme of the Company as set out in the section headed "Share Option Scheme" and "Share Award Scheme", respectively in the "Report of the Directors" of this report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the aggregate amount of turnover attributable to the Group's five largest customers accounted for 23.6% (for the year ended 31 December 2020: 19.5%) of the Group's total turnover. The largest customer accounted for 8.6% (for the year ended 31 December 2020: 5.7%) of the Group's total turnover. None of the Directors or any of their close associates (as defined in the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**GEM Listing Rules**")) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group had no major supplier due to the nature of principal activities of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 30 June 2018 and in the section "Management Discussion and Analysis" of this report, the Group does not have other plans for material investments and capital assets as at 31 December 2021.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:

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

Non-Executive Director:

Mr. Chan Ying Kit *(Chairman)*

Independent Non-executive Directors:

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

In accordance with Article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Chan Pui Chuen, Mr. Chan Ying Kit and Mr. Ying Wing Ho Peter will retire by rotation at the 2022 AGM and, being eligible, have offered themselves for re-election at the 2022 AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 20 to 24 in the section headed "Biographical Details of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INDEMNITIES AND INSURANCE

Pursuant to the Company's Articles of Association, every Directors or other officer of the Company shall be entitled to be indemnified out of the assets and profit of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the Directors and officers of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity/nature of interest	Number of shares (Long position)	% of the total number of issued shares of the Company
Ms. Kou Kuen[1]	Interested in a controlled corporation	110,193,750	55.09%
	Beneficial owner	8,676,000	4.34%
Mr. Chan Ying Kit[1 and 2]	Interest of spouse	118,869,750	59.42%
Mr. Chiu Che Leung, Stephen	Beneficial owner	1,000,000	0.50%
Mr. Chan Pui Chuen	Beneficial owner	3,394,000	1.70%

Notes:

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

(2) Mr. Chan Ying Kit is the spouse of Ms. Kou Kuen. Under the SFO, Mr. Chan Ying Kit is deemed to be interested in the same number of shares in which Ms. Kou Kuen is interested.

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

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

Save as disclosed above, as at 31 December 2021, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2021, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group:

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

Note:

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

Save as disclosed above, as at 31 December 2021, the Company has not been notified by any persons, other than the Directors and the chief executives who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 14 June 2018. The purpose of the Scheme is to enable the Company to grant options to selected participants to recognize and acknowledge the contributions made or may make to the Group.

Participants

Our Board may at its discretion grant right(s) to subscribe for share(s) pursuant to the terms of the Scheme (the "**Option(s)**") to any of the following persons (the "**Eligible Participants**"):

(a) any Director, employee or officer of any company in our Group who is employed by any company in our Group (whether full time or part time) (the "**Employee**"), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (the "**Affiliate**"); or

(b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or the Affiliate; or

(c) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or the Affiliate.

Basis of exercise price

The exercise price for any share under the Scheme shall be a price determined by the Board and notified to each Eligible Participants who accepts the offer (the "**Offer**") by our Company to that Eligible Participant to accept the Option in accordance with the terms of the Scheme (the "**Grantee**"), and where the context permits, include any person who is entitled to any Option in consequent of the death of the original Grantee (being an individual)) (in the letter containing the Offer of the grant of the Option) and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Trading Day**");

(b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Option; and

(c) the nominal value of a share on the date of grant.

Shares available for issue under the Share Option Scheme

As at the date of this annual report, the total number of shares available for issue under the share option scheme was 20,000,000 shares, representing approximately 10.0% of the issued shares of the Company at the date the Scheme is adopted.

Maximum entitlement of each Eligible Participant

The total number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares in issue.

Time of exercise of Option

An Option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

Period of the Share Option Scheme

Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme was adopted, after which no further Options will be issued but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

Details of the Scheme

The details of the Scheme and the movements of the share options under the Scheme during the year ended 31 December 2021 are set out as follows:

				Number of share options					
Category of participants	Date of grant	Exercise and vesting period	Exercise price per share HK$	Outstanding as at 1 January 2021	Granted during the year[1]	Lapsed or forfeited during the year	Exercised during the year	Cancelled during the year	Outstanding as at 31 December 2021
Employees	30 December 2021	30 December 2022 to 14 June 2028	2.29	–	2,115,000	–	–	–	2,115,000
		30 December 2023 to 14 June 2028	2.29	–	2,115,000	–	–	–	2,115,000
		30 December 2024 to 14 June 2028	2.29	–	2,820,000	–	–	–	2,820,000
Total				–	7,050,000	–	–	–	7,050,000

Note:

(1) The Company received a consideration of HK$1.00 from each of the grantees for the Options granted on 30 December 2021.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2021.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "**Award Scheme**") on 11 August 2020. The purpose of the Award Scheme is, through an award of shares of the Company, to (i) recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Company has entered into the trust deed of the Award Scheme (the "**Trust Deed**") with Victory Global Trustee Company Limited ("**Victory Global Trustee**") on 11 August 2020, in which Victory Global Trustee will act as Trustee of the Award Scheme (the "**Trustee**"). The Trustee shall, during the period which the Trust Deed is valid, apply the cash income of the trust fund towards (i) the payment of the fees, costs and expenses of the trust constituted by the Trust Deed (the "**Trust**") in accordance with the Trust Deed; and (ii) the remainder, if any, such other purpose as the Trustee and the Board shall agree from time to time. Cash income shall include net proceeds of sale of non-cash or non-scrip distribution in respect of a share of the Company held upon the Trust.

Eligible Participants for the Award Scheme

The Board may, from time to time, at its absolute discretion select any eligible person for participation in the Award Scheme as a selected participant. Participation in the Award Scheme is limited to selected participants only. The entitlement to the awarded shares and/or the related income shall be designated by the Board at its absolute discretion.

The eligibility of the eligible persons to an award of shares of the Company (together with the related income attributable to such shares, if any) to selected participants as determined by the Board pursuant to the rules of the Award Scheme ("**Award**") shall be determined by the Board considering: (i) his/her past and future contribution to the Group; (ii) the financial condition of the Group; and (iii) the Group's business objectives and development plan.

Duration

Subject to any early termination as may be determined by the Board, the Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date (i.e. 11 August 2020) of the Award Scheme, and after the expiry of such ten years' term no further Award may be made but the rules of the Award Scheme shall remain in full force and effect to the extent necessary to give effect to any award made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

Administration

The Award Scheme shall be subject to the administration of the Board (or the scheme administrator, who is authorised by the Board to render supports in all aspects to the Board in connection with the implementation of the Award Scheme) whose decisions on all matters arising in relation to the Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice the powers of the Trustee as provided under the Trust Deed.

Scheme Limit

The aggregate number of shares of the Company administered under the Award Scheme and underlying all grants of shares of the Company (excluding shares of the Company where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Award Scheme shall not exceed 10% of the Company's issued shares as at the adoption date of the Award Scheme. The maximum number of the awarded shares of the Company which may be granted to an individual selected participant shall not exceed 1% of the issued shares of the Company as at the adoption date of the Award Scheme. Where any Award is proposed to be made to any selected participant who is a connected person pursuant to the GEM Listing Rules, the aggregate number of awarded shares of the Company to the connected persons must be 30% or less of the Award Scheme limit as stated above.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the trust of the Award Scheme (including but not limited to (i) any shares of the Company in the shares pool held by the Trustee pursuant to the Trust Deed; (ii) the awarded shares to selected participants; (iii) the shares of the Company purchased by the Trustee out of net proceeds of sale of non-cash and non-scrip distributions declared and distributed by the Company in respect of shares of the Company held upon the trust constituted by the Trust Deed; (iv) the awarded shares which are not vested and/or forfeited in accordance with the terms of the Award Scheme, or was forfeited in accordance with the terms of the Award Scheme; and (v) any bonus shares and scrip shares of the Company).

Alteration

The Award Scheme may be altered in any respect by a resolution of the Board together with the prior written consent of the Trustee provided that no such amendment shall operate to affect adversely any subsisting rights of any selected participant.

Details of the Award Scheme are set out in the Company's announcement dated 11 August 2020.

The Company purchased 6,300,000 of its own ordinary shares through the Trustee during the year ended 31 December 2021. The movements of the shares hold under the Trustee during the year ended 31 December 2021 are set out in the "Consolidated Statement of Changes in Equity" in this report and note 33 to the financial statements. No shares were awarded to selected participants during the year ended 31 December 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the Company's Directors or chief executive (including their respective spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of the Company or any of its associated corporations.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed “Continuing Connected Transactions” in the “Report of the Directors” in this report, no transactions, arrangements or contracts that is significant in relation to the Group’s business to which the Company or any of its subsidiaries, its fellow subsidiaries or any of its holding company was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SIGNIFICANT CONTRACT BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS

Save and except those disclosed under the sections headed “Continuing Connected Transaction” and “Deed of Non-Competition” below, the Group does not have any contract of significance with the controlling shareholder(s) or any of its subsidiaries.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed “Continuing Connected Transactions” in the “Report of the Directors” in this report, 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 2021.

EMOLUMENT POLICY

The remuneration of the executive Directors was decided by the Board as recommended by the remuneration committee having regard to a written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders’ interest and current best practice), the Group’s operating results, individual performance and comparisons of market statistics. The independent non-executive Directors (the “**INEDs**”) are paid fees in line with market practice. No individual should determine his/her own remuneration.

Employees’ remuneration was determined in accordance with individual’s responsibility, competence and skills, experience and performance as well as market pay level. Remuneration package includes, as the case may be, basic salaries, Directors’ fees, contribution to pension schemes, discretionary bonus relating to financial performance of the Group and individual performance, and other competitive fringe benefits such as medical and life insurances. To provide incentive to the eligible participants (including Directors and employees), the remuneration package has been extended to include share options under the Scheme.

Details of the emoluments of the Directors and chief executives and the five highest paid individuals of the Group are set out in note 10 and note 11 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

(1) Brokerage and Financing Services Agreements ("Brokerage and Financing Services Agreements")

Victory Securities Company Limited ("**Victory Securities (HK)**"), a wholly owned subsidiary of the Company, separately entered into the Brokerage and Financing Services Agreements (the "**Brokerage and Financing Services Agreements**") with (i) Ms. Kou Kuen ("**Ms. Kou**"); (ii) Mr. Chan Pui Chuen ("**Mr. Chan**"); (iii) Mr. Ko Yuen Kwan ("**Mr. Ko**"); and (iv) Mr. Chiu Che Leung Stephen ("**Mr. Chiu**") on 5 November 2020 for a term of three years from 1 January 2021 to 31 December 2023.

Pursuant to the Brokerage and Financing Services Agreements, the Group will continue to provide financing services and securities brokerage services to Ms. Kou and her associates ("**Ms. Kou's Group**"), Mr. Chan and his associates ("**Mr. Chan's Group**"), Mr. Ko and his associate ("**Mr. Ko's Group**") and Mr. Chiu and his associates ("**Mr. Chiu's Group**"). The Brokerage and Financing Services Agreements were entered into to facilitate, among other things, the continuing provision of financing services and securities brokerage services by the Group to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group, which can provide additional stable revenue source for the Group and on the other hand satisfy the demand from Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

Since (i) Ms. Kou and Mr. Chan are the Directors and one of the controlling Shareholders and Mr. Ko is also one of the controlling Shareholders; and (ii) Mr. Chiu is the Director of the Company, they are all regarded as connected person under the definition of the GEM Listing Rules. Accordingly, the provision of the financing services and securities brokerage services to them and their associates by Victory Securities (HK) will constitute continuing connected transactions. As some of these continuing connected transactions were entered into with the parties connected or otherwise associated with one another, the transactions entered into with such connected persons shall be categorized as same class of transactions and shall be aggregated into a series of connected transactions for the purpose of calculating the considerations.

Annual caps amount under the Brokerage and Financing Services Agreements

The annual caps amount of the transactions under the Brokerage and Financing Services Agreement for each of the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
	HK$	HK$	HK$
Ms. Kou's Group			
Non-IPO Financing Annual Caps	15,000,000	16,500,000	18,000,000
IPO Financing Annual Caps	6,800,000	7,480,000	8,160,000
Financing Annual Caps	21,800,000	23,980,000	26,160,000
Interest Annual Caps	1,650,000	1,815,000	1,980,000
Brokerage Annual Caps	188,000	197,000	206,000
Servicing Annual Caps	1,838,000	2,012,000	2,186,000
Mr. Chan's Group			
Non-IPO Financing Annual Caps	5,000,000	5,500,000	6,000,000
IPO Financing Annual Caps	1,200,000	1,320,000	1,440,000
Financing Annual Caps	6,200,000	6,820,000	7,440,000
Interest Annual Caps	450,000	495,000	540,000
Brokerage Annual Caps (Note)	120,000	132,000	144,000
Servicing Annual Caps (Note)	570,000	627,000	684,000
Mr. Ko's Group			
Non-IPO Financing Annual Caps	6,500,000	6,800,000	7,200,000
IPO Financing Annual Caps	1,500,000	1,650,000	1,800,000
Financing Annual Caps	8,000,000	8,450,000	9,000,000
Interest Annual Caps	600,000	630,000	660,000
Brokerage Annual Caps	300,000	315,000	330,000
Servicing Annual Caps	900,000	945,000	990,000
Mr. Chiu's Group			
Non-IPO Financing Annual Caps	20,000	22,000	24,000
IPO Financing Annual Caps	200,000	220,000	240,000
Financing Annual Caps	220,000	242,000	264,000
Interest Annual Caps	12,000	13,200	14,400
Brokerage Annual Caps	12,000	13,000	14,000
Servicing Annual Caps	24,000	26,200	28,400

Note:

Pursuant to a meeting of the Board held on 16 June 2021, the Board has approved the supplemental deed entered into by Victory Securities (HK) with Mr. Chan to revise:

(i) the Brokerage Annual Cap of Mr. Chan's Group was increased from HK$12,000, HK$13,000 and HK$14,000 for each of the three years ending 31 December 2023 to HK$120,000, HK$132,000 and HK$144,000 for each of the three years ending 31 December 2023. Thus the aggregated of the maximum annual amounts of the Brokerage Annual Caps and Interest Annual Caps (i.e. the Servicing Annual Caps as defined in the Brokerage and Financing Services Agreement) for Mr. Chan's Group for each of the three years ending 31 December 2023 will be increased from HK$462,000, HK$508,000 and HK$554,000 to HK$570,000, HK$627,000 and HK$684,000.

In determining the Servicing Annual Caps, the directors of the Company have taken into account (i) the aggregated of Brokerage Annual Caps and the Interest Annual Caps; (ii) the expected trading volume of Mr. Chan's Group based on historical trading record; (iii) the Financing Annual Caps; (iv) the expected average interest rates for the Financing Services; and (v) the interest rates charged by other financing services providers.

The Board is of the view that the increase in the Brokerage Annual Cap (and thus the increase in the Servicing Annual Cap) were on normal commercial terms or better and in the ordinary and usual course of business of the Company and its subsidiaries and the increase in the Brokerage Annual Cap (and thus the increase in the Servicing Annual Cap) were in the interests of the Company and the shareholders of the Company as a whole.

As all of the percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the supplemental deed are less than 5% and the aggregated annual caps will be less than HK$3,000,000, the transactions contemplated under the supplemental deed are exempted from reporting, annual review and announcement, and independent shareholders' approval requirements under Chapter 19 and 20 of the GEM Listing Rules.

The Financing Annual Caps, being the aggregated amounts of the Non-IPO Financing Annual Caps and IPO Financing Annual Caps, have been determined with reference to:

(i) the investment style and financial status of Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group;

(ii) the expected share trading volume and IPO subscription amount of Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group for the Non-IPO Financing Annual Caps and IPO Financing Annual Caps respectively; and

(iii) historical maximum daily outstanding amount of non-IPO financing and IPO financing for Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

The Interest Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to (i) the expected average interest rates charged for non-IPO financing and IPO financing; and (ii) each of the corresponding Financing Annual Caps for Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

The Brokerage Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to the expected share trading volume based on historical trading records and the expected brokerage commission fees to be generated from the provision of securities brokerage services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

The Servicing Annual Caps for each of the three years ending 31 December 2023, being the aggregated amounts of the Interest Annual Caps and Brokerage Annual Caps, have been determined with reference to: (i) the expected share trading volume based on historical trading records and the expected brokerage commission fees to be generated from the provision of securities brokerage services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group; (ii) the expected average interest rates charged for IPO financing and non-IPO financing; and (iii) each of the corresponding Financing Annual Caps with Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group.

Historical transactions amount under the Brokerage and Financing Services Agreements

The following financing services as stipulated in the Brokerage and Financing Services Agreements, which constitute non-exempt continuing connected transactions (other than the continuing connected transactions with Mr. Chiu's Group, which are exempted from annual review requirement), are subject to annual review by independent non-executive Directors and the auditors, were recorded during the year.

Details on the Brokerage and Financing Services Agreements, the maximum daily outstanding amounts of non-IPO financing and IPO financing provided to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group, and the historical amount of interest charges in respect of non-IPO financing and IPO financing to Ms. Kou's Group, Mr. Chan's Mr. Ko's Group and Mr. Chiu's Group for the year ended 31 December 2021 were as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Maximum daily outstanding amounts of non-IPO financing and IPO financing for the year ended 31 December 2021	Historical amount of interest charges in respect of non-IPO financing and IPO financing for the year ended 31 December 2021
Provision of financing services to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group	(1) Non-IPO financing services: 7.25% per annum (2) IPO financing services: 1%–2% mark up on top of the interest rate quoted from borrowing banks of the Group	(1) 5 November 2020 (2) 1 January 2021 to 31 December 2023 (can be terminated by either party with seven days prior written notice)	**Ms. Kou's Group** *Non-IPO Financing:* HK$14,379,387.25 *IPO Financing:* HK$6,272,578.18 **Mr. Chan's Group** *Non-IPO Financing:* HK$4,762,054.78 *IPO Financing:* HK$1,045,429.7 **Mr. Ko's Group** *Non-IPO Financing:* HK$5,706,567.03 *IPO Financing:* HK$1,358,604.07 **Mr. Chiu's Group** *Non-IPO Financing:* Nil *IPO Financing:* Nil	**Ms. Kou's Group** HK$640,340.12 **Mr. Chan's Group** HK$325,215.56 **Mr. Ko's Group** HK$298,650.98 **Mr. Chiu's Group** HK$6.25

Details on the Brokerage and Financing Services Agreements, (which are exempted from the annual review requirement under Chapter 20 of the GEM Listing Rules) and the historical amount of securities brokerage services fees in respect of the securities brokerage services received from Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group the for the year ended 31 December 2021 were as following:

Nature of transaction	Pricing policy	(1) Date of agreement (2) Terms	Historical amount of securities brokerage services fees in respect of the securities brokerage services for the year ended 31 December 2021
Securities brokerage services fees in respect of the securities brokerage services provided by Victory Securities (HK) to Ms. Kou's Group, Mr. Chan's Group, Mr. Ko's Group and Mr. Chiu's Group	Commission rate on normal commercial terms of 0.1% to 0.25%	(1) 5 November 2020 (2) 1 January 2021 to 31 December 2023 (can be terminated by either party with seven days prior written notice)	**Ms. Kou's Group** HK$76,368.14 **Mr. Chan's Group** HK$32,960.27 **Mr. Ko's Group** HK$95,542.90 **Mr. Chiu's Group** HK$1,512.35

Details of the Brokerage and Financing Services Agreements were disclosed in the announcement of the Company dated 5 November 2020 and in the circular of the Company dated 4 December 2020. The Brokerage and Financing Services Agreements for Ms. Kou's Group and Mr. Chan's Group were approved, confirmed and ratified by the independent Shareholders on 28 December 2020.

(2) Trademark Licence Deed

On 14 June 2018, the Company, as a licensee, and DTTKF, as a licensor, entered into a trademark licence deed (the "**Trademark Licence Deed**") pursuant to which DTTKF has granted an exclusive right to our Group to use the trademark (the "**Trademark**") with no consideration for a term of three years commencing from 23 June 2017 (i.e. the date DTTKF began to own the Trademark).

(3) **Asset Management Agreement**

On 5 November 2020, Victory Securities (HK) entered into an asset management agreement (the "**Asset Management Agreement**") with Victory Global Trustee Company Limited ("**Victory Global Trustee**"), pursuant to which Victory Securities (HK) agreed to provide asset management services to Victory Global Trustee for a term of three years commencing from 1 January 2021 up to 31 December 2023.

Pursuant to the Asset Management Agreement, Victory Securities (HK) shall perform such duties as are customarily performed by an investment manager of a unit trust fund or as may be agreed from time to time between Victory Securities (HK) and Victory Global Trustee. Victory Securities (HK) shall, subject to the overall supervision and control of the directors of Victory Global Trustee, manage the assets and investments which are held by Victory Global Trustee as trustee on a discretionary basis in pursuit of the relevant investment objective of the trust(s) managed and administered by Victory Global Trustee and subject to the appropriate investment control and restrictions of Victory Global Trustee. The Asset Management Agreement was entered into to facilitate, among other things, the continuing provision of asset management services by the Group to Victory Global Trustee.

Victory Global Trustee is owned as to 20%, 20%, 20%, 20% and 20% by Victory Financial Group Company Limited, Mr. Ko, Mr. Chiu, Mr. Chan and Mr. Yeung Tak Kuen, respectively. Since Victory Financial Group Company Limited is owned as to 70.53% by Ms. Kou, who is a Director of the Company, Victory Financial Group Company Limited is a connected person pursuant to the GEM Listing Rules. Since Victory Global Trustee is owned by the connected persons of our Company, it is considered as a connected person of the Company.

In consideration of the services provided to Victory Global Trustee by Victory Securities (HK) under the Asset Management Agreement, (i) Victory Global Trustee shall pay Victory Securities (HK) the asset management fees and performance fees which are on terms no less favourable to the Group than the terms offered by Independent Third Parties; and (ii) Victory Global Trustee shall reimburse Victory Securities (HK) for all out-of-pocket costs and expenses incurred by Victory Securities (HK) (or by any delegate or agent appointed by it pursuant to the Asset Management Agreement) in the performance of its duties and obligations under the Asset Management Agreement.

The annual caps for the aggregate of performance fee and management fee (the "**Asset Management Annual Caps**") for each of the years ending 31 December 2023 are HK$4.0 million, HK$4.8 million and HK$5.6 million, respectively. The amount paid by Victory Global Trustee for the year ended 31 December 2021 was HK$1,579,438.16.

The Asset Management Annual Caps for each of the three years ending 31 December 2023 have been determined with reference to: (i) the amount of assets managed by Victory Securities (HK) of approximately HK$298.8 million and HK$312.8 million as at 31 December 2019 and 30 September 2020, respectively; and (ii) the expected market sentiments of the securities market in Hong Kong.

Details of the Asset Management Agreement were disclosed in the announcement of the Company dated 5 November 2020.

The auditor of the Company has provided a letter to the Board confirming the matters as required under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2021 and confirmed that (i) they have been entered into in the ordinary and usual course of business of the Group; (ii) are on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

On 29 March 2018, Victory Securities (HK), as a licensee, and Victory Corporate Solutions Company Limited ("**Victory Corporate Solutions**"), as a licensor, entered into a software licence agreement (the "**Software Licence Agreement**"), pursuant to which Victory Corporate Solutions has granted a non-exclusive right to Victory Securities (HK) to use a system software at consideration of HK$800,000 commencing from 1 April 2018. The consideration was arrived at after arm's length negotiation between Victory Securities (HK) and Victory Corporate Solutions with reference to: (i) the cost incurred by Victory Corporate Solutions in designing the system software; and (ii) the benefits the system software would bring to Victory Securities (HK). Victory Securities (HK) believes that the system software could enhance the business operation efficiency of Victory Securities (HK). The Directors are of the view that the entering into and the terms and conditions of the Software Licence Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the best interests of the Company and the Shareholders as a whole.

Victory Corporate Solutions is wholly-owned by Victory Financial Group Company Limited which is owned as to 70.53% by Ms. Kou, who is a Director of the Company. Victory Corporate Solutions Company Limited is therefore an associate of Ms. Kou and a connected person pursuant to the GEM Listing Rules. The transaction with Victory Corporate Solutions therefore constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. As the relevant applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the transaction under the Software Licence Agreement were less than 5% and the total consideration was less than HK$3,000,000, hence this connected transaction is exempted from the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Compliance with Disclosure Requirements

Regarding the related party transactions as set out in note 37 to the Consolidated Financial Statements, the brokerage income and asset management fee are exempted continuing connected transactions that are exempted from the annual review requirement under Chapter 20 of the GEM Listing Rules.

DEED OF NON-COMPETITION

Each of the controlling Shareholders (collectively, the "**Covenantors**" and each a "**Covenantor**") entered into the Deed of Non-Competition with the Company pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company (for itself and as trustee for its subsidiaries), on a joint and several basis, that at any time from the period since the Company is listed on the Stock exchange of Hong Kong Limited and expiring on the earlier of (i) the date upon which the Shares cease to be listed on the Stock Exchange; or (ii) the date upon which (a) the Covenantors, individually or collectively (whether or not with their respective associates), cease to own, directly or indirectly, 30% or more of the then issued share capital of our Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as required thereunder); (b) the Covenantors cease to control the composition of a majority of the Board; and (c) none of the Covenantors, nor any of their respective associates remain as a director or senior management of our Company. Such Covenantor shall not, and shall procure that neither their respective associates nor companies controlled by the Covenantors (other than the members of the Group) will, (i) directly or indirectly, be interested in or involved in or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of any member of the Group), partner, agent or otherwise) in any form of business, including, whether for profit, reward or otherwise, any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the business carried on or contemplated to be carried on by the Group from time to time (the "**Restricted Activity**"); nor provide support in any form to persons other than the members of the Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that the Group is currently and from time to time carrying on; (ii) solicit any existing employee of the Group for employment by him/her/it or his/her/its close associates or companies controlled by him/her/it; (iii) solicit or procure any of the suppliers and/or the customers of the Group from time to time to terminate their business relationships or otherwise reduce the amount of business with the Group; (iv) solicit or procure any of the Directors, senior management or other employees of the Group from time to time to resign or otherwise cease providing services to the Group; and (v) without the prior written consent of the Company, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge for any purpose of engaging, investing or participating in any Restricted activity.

The Company has received annual written declaration from the controlling Shareholders on their compliance with the undertakings under the Deed. Based on the declaration, the Independent Non-executive Directors of the Company considered that the controlling Shareholders had complied with the terms set out in the Deed during the year ended 31 December 2021.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all of the INEDs are independent.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conduct, employment and the environment.

The "Environmental, Social and Governance Report", which forms part of this report, is set out on pages 43 to 59 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the Shares as required under the GEM Listing Rules (i.e. at 25% of the issued shares in public hands throughout the year ended 31 December 2021 and up to the date of this report).

DONATIONS

During the year ended 31 December 2021, the Group made charitable donations amounting to HK$4,000.

AUDITORS

The Consolidated Financial Statements have been audited by Ernst & Young, who will retire, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

Mr. Chan Ying Kit
Chairman

Hong Kong, 17 March 2022

Ernst & Young
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To the shareholders of Victory Securities (Holdings) Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Victory Securities (Holdings) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 175, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter

Provision for expected credit losses on margin client and cash client receivables included in accounts receivable

As at 31 December 2021, the gross margin client and cash client receivables amounted to HK$280,432,453 and HK$46,134,725, respectively. Their related expected credit loss allowances amounted to HK$7,810,635 and HK$489,571, respectively.

The Group assessed whether there had been as significant increase in credit risk for a counterparty by comparing the lifetime probability of default at initial recognition with that at the reporting date.

The assessment of impairment for margin client and cash client receivables was considered as a key audit matter due to the significant and subjective management judgements and estimates involved, including estimation of probability of default, valuation of collateral, expected future cash flows and future economic conditions.

The related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the expected credit loss allowances are included in notes 2.4, 3(b), 21(f) and 38(b)(ii) to the consolidated financial statements.

Our procedures to address the key audit matter included, amongst others:

- We obtained an understanding of the Group's credit risk management practices, and assessed the Group's impairment provisioning policy in accordance with the requirements of HKFRS 9.

- We assessed the Group's determination of significant increases in credit risk and testing the application of staging classification in the model by assessing historical information such as number of overdue days, margin call history and loan-to-value ratio.

- For margin client and cash client receivables classified as stage 1 and 2, we evaluated the Group's method to estimate expected credit losses by checking the parameters to external data sources on a sample basis, including the price volatility of selected underlying collateral used in the multiple scenario analyses;

- For margin client and cash client receivables classified as stage 3, in assessing the expected credit loss allowances made by the Group, we

    - checked to quoted market price and evaluated the applied forward-looking adjustments for the valuation of the collateral

    - obtained and evaluated management analysis used in estimating the other sources of cashflows and assessed the reasonableness and appropriateness of management's key assumptions

- We tested the mathematical accuracy of the calculations of expected credit loss allowance.

- We also evaluated the related disclosures regarding the accounting policy, the judgement and estimates involved and the details of the expected credit loss allowances included in notes 2.4, 3(b), 21(f) and 38(b)(ii) to the consolidated financial statements against the requirements of HKFRS 7 and 9.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ho Yin.

Ernst & Young
Certified Public Accountants
Hong Kong
17 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
REVENUE	5		
Revenue from contracts with customers		**67,171,167**	58,586,467
Interest income		**35,006,587**	21,968,446
		102,177,754	80,554,913
Other income and gains/(losses), net	6	**(3,286,119)**	8,616,127
		98,891,635	89,171,040
Commission expenses		**(16,037,283)**	(12,320,738)
Depreciation and amortisation		**(4,737,391)**	(3,566,289)
Staff costs	7	**(30,225,901)**	(27,098,080)
Other operating expenses		**(16,827,439)**	(13,282,296)
Charge for allowance for expected credit losses on accounts receivable, net		**(6,665,286)**	(1,103,412)
Share-based payment expenses		**–**	(10,474)
Finance costs	9	**(6,940,885)**	(5,156,299)
Share of profits and losses of associates		**(83,483)**	–
PROFIT BEFORE TAX	8	**17,373,967**	26,633,452
Income tax expense	12	**(2,322,068)**	(3,449,936)
PROFIT FOR THE YEAR		**15,051,899**	23,183,516
Attributable to:			
Owners of the parent		**15,108,225**	23,183,516
Non-controlling interests		**(56,326)**	–
		15,051,899	23,183,516
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in HK cents)	14	**8.08**	11.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
PROFIT FOR THE YEAR		**15,051,899**	23,183,516
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**139,511**	976,374
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on revaluation of land and buildings held for own use			
– gross gain/(loss)	15	**6,404,434**	(5,472,294)
– income tax effect	30	**(1,056,732)**	902,929
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**5,487,213**	(3,592,991)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,539,112**	19,590,525
Attributable to:			
Owners of the parent		**20,610,566**	19,590,525
Non-controlling interests		**(71,454)**	–
		20,539,112	19,590,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$	2020 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	15	**58,450,678**	52,882,103
Investment property	16	**10,900,000**	10,700,000
Intangible assets	18	**221,552**	340,355
Investments in associates	19	**2,040,875**	1,396,870
Financial assets at fair value through profit or loss	23	**3,897,213**	3,713,966
Other assets	20	**661,835**	763,978
Total non-current assets		**76,172,153**	69,797,272
CURRENT ASSETS			
Accounts receivable	21	**380,078,131**	384,821,689
Prepayments and other receivables	22	**8,520,801**	8,205,742
Financial assets at fair value through profit or loss	23	**9,657,234**	8,514,070
Tax recoverable		**127,443**	–
Pledged deposits	24	**4,000,000**	–
Cash and cash equivalents	24	**17,932,054**	30,335,158
Total current assets		**420,315,663**	431,876,659
CURRENT LIABILITIES			
Accounts payable	25	**50,272,448**	137,966,671
Other payables and accruals	26	**5,984,800**	13,481,204
Interest-bearing bank and other borrowings	27	**205,154,000**	124,554,000
Lease liabilities	17(b)	**2,433,528**	1,595,877
Tax payable		**–**	2,525,565
Provisions	28	**2,660,496**	182,805
Bonds issued	29	**4,215,342**	–
Total current liabilities		**270,720,614**	280,306,122
NET CURRENT ASSETS		**149,595,049**	151,570,537
TOTAL ASSETS LESS CURRENT LIABILITIES		**225,767,202**	221,367,809

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK$	2020 HK$
NON-CURRENT LIABILITIES			
Bonds issued	29	–	4,015,342
Lease liabilities	17(b)	**1,746,069**	1,494,070
Deferred tax liabilities	30	**8,077,781**	6,916,537
Total non-current liabilities		**9,823,850**	12,425,949
Net assets		**215,943,352**	208,941,860
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**2,000,418**	2,000,418
Other reserves		**213,793,648**	206,941,442
		215,794,066	208,941,860
Non-controlling interests		**149,286**	–
Total equity		**215,943,352**	208,941,860

Ms. KOU Kuen
Executive Director

Mr. CHIU Che Leung Stephen
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to owners of the parent										
	Notes	Share capital (note 31) HK$	Share premium HK$	Property revaluation reserve HK$	Share option reserve HK$	Shares held under the share award scheme HK$	Merger reserve (note 34) HK$	Exchange fluctuation reserve HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2020		1,999,998	54,980,741	36,304,518	225,433	–	96,200,000	–	15,665,689	205,376,379	–	205,376,379
Profit for the year		–	–	–	–	–	–	–	23,183,516	23,183,516	–	23,183,516
Other comprehensive loss for the year:												
Change in fair value of land and buildings, net of tax		–	–	(4,569,365)	–	–	–	–	–	(4,569,365)	–	(4,569,365)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	976,374	–	976,374	–	976,374
Total comprehensive (loss)/income for the year		–	–	(4,569,365)	–	–	–	976,374	23,183,516	19,590,525	–	19,590,525
Equity-settled share option arrangements	32	–	–	–	10,474	–	–	–	–	10,474	–	10,474
Issue of shares under share option scheme		420	52,080	–	(6,706)	–	–	–	6,706	52,500	–	52,500
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	(229,201)	–	–	–	229,201	–	–	–
Purchase of shares held under the share award scheme	33	–	–	–	–	(10,286,800)	–	–	–	(10,286,800)	–	(10,286,800)
Final dividend	13	–	–	–	–	–	–	–	(3,200,672)	(3,200,672)	–	(3,200,672)
Interim dividend	13	–	–	–	–	–	–	–	(2,600,546)	(2,600,546)	–	(2,600,546)
At 31 December 2020		2,000,418	55,032,821*	31,735,153*	–	(10,286,800)*	96,200,000*	976,374*	33,283,894*	208,941,860	–	208,941,860
At 1 January 2021		2,000,418	55,032,821	31,735,153	–	(10,286,800)	96,200,000	976,374	33,283,894	208,941,860	–	208,941,860
Profit for the year		–	–	–	–	–	–	–	15,108,225	15,108,225	(56,326)	15,051,899
Other comprehensive income for the year:												
Change in fair value of land and buildings, net of tax		–	–	5,347,702	–	–	–	–	–	5,347,702	–	5,347,702
Exchange differences on translation of foreign operations		–	–	–	–	–	–	154,639	–	154,639	(15,128)	139,511
Total comprehensive income for the year		–	–	5,347,702	–	–	–	154,639	15,108,225	20,610,566	(71,454)	20,539,112
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	220,740	220,740
Purchase of shares held under the share award scheme	33	–	–	–	–	(8,190,000)	–	–	–	(8,190,000)	–	(8,190,000)
Final dividend	13	–	–	–	–	–	–	–	(3,155,404)	(3,155,404)	–	(3,155,404)
Interim dividend	13	–	–	–	–	–	–	–	(2,412,956)	(2,412,956)	–	(2,412,956)
At 31 December 2021		2,000,418	55,032,821*	37,082,855*	–	(18,476,800)*	96,200,000*	1,131,013*	42,823,759*	215,794,066	149,286	215,943,352

* These reserve accounts comprise the consolidated other reserves of HK$213,793,648 (2020: HK$206,941,442) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**17,373,967**	26,633,452
Adjustments for:			
Share of profits and losses of associates		**83,483**	–
Dividend income from listed investments	6	**(178,972)**	(190,652)
Fair value losses/(gains) on financial assets at fair value through profit or loss	6	**4,919,141**	(5,799,643)
Depreciation of property, plant and equipment	8	**2,764,214**	2,462,543
Changes in fair value of investment property	6	**(200,000)**	100,000
Depreciation of right-of-use assets	8	**1,694,374**	669,386
Amortisation	8	**278,803**	434,360
Interest expense on bank loans and overdrafts	9	**4,936,905**	4,761,536
Interest on bonds issued	9	**200,000**	15,342
Interest on lease liabilities	9	**61,540**	30,784
Provision for losses on guaranteed contracts with customers	8	**7,993,603**	–
Charge for allowance for expected credit losses on accounts receivable, net	8	**6,665,286**	1,103,412
Equity-settled share option expense	32	**–**	10,474
		46,592,344	30,230,994
Decrease/(increase) in other assets		**102,143**	(213,978)
Increase in accounts receivable		**(1,921,728)**	(171,618,636)
Increase in prepayments and other receivables		**(315,059)**	(5,617,708)
(Decrease)/increase in accounts payable		**(87,694,223)**	121,667,531
(Decrease)/increase in other payables and accruals		**(7,496,404)**	1,921,917
(Decrease)/increase in provisions		**(5,515,912)**	12,291
Cash used in operations		**(56,248,839)**	(23,617,589)
Interest elements of lease payments		**(61,540)**	(30,784)
Hong Kong profits tax paid		**(4,869,353)**	(925,800)
Overseas taxes paid		**(1,211)**	–
Net cash used in operating activities		**(61,180,943)**	(24,574,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	15	**(871,945)**	(3,325,857)
Purchase of an intangible asset	18	**(160,000)**	(163,050)
Purchase of financial assets at fair value through profit or loss		**(52,387,161)**	(46,072,205)
Proceeds from disposal of financial assets at fair value through profit or loss		**46,141,609**	48,869,076
Capital contribution from non-controlling interest		**220,740**	–
Purchase of shares in an associate	19	**(750,000)**	(1,396,870)
Dividend received		**178,972**	101,156
Net cash used in investing activities		**(7,627,785)**	(1,987,750)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(4,936,905)**	(4,761,536)
New bank borrowings		**5,551,056,787**	6,802,927,994
Repayment of bank borrowings		**(5,470,456,787)**	(6,747,373,994)
Proceeds from issue of non-convertible bonds		**–**	4,000,000
Proceeds from issue of shares		**–**	52,500
Principal portion of lease payments		**(1,661,206)**	(602,276)
Shares repurchases under share award scheme	33	**(8,190,000)**	(10,286,800)
Dividend paid	13	**(5,568,360)**	(5,801,218)
Net cash from financing activities		**60,243,529**	38,154,670
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(8,565,199)**	11,592,747
Cash and cash equivalents at beginning of year		**30,335,158**	17,766,037
Effect of foreign exchange rate changes, net		**162,095**	976,374
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**21,932,054**	30,335,158
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	**17,932,054**	30,335,158
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	24	**4,000,000**	–
Cash and cash equivalents as stated in the statement of cash flows		**21,932,054**	30,335,158
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**35,006,587**	21,968,446
Interest paid	9	**1,742,440**	348,637

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 of Hong Kong Limited (the "**Stock Exchange**").

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

In the opinion of the directors of the Company (the "**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 ("**Victory Securities (HK)**")	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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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
廣州市盈泰穩健管理諮詢有限公司**	Shenzhen, People's Republic of China	RMB50,000,000	–	100%	Provision of asset management services
Victory Spectacular Fund SPC ***	Cayman Islands	US$0.01	–	100%	Inactive
Victory Asset Management Japan Limited****	Japan	JPY20,000,000	–	85%	Provision of asset management services
Victory Privilege Fund OFC*****	Hong Kong	HK$10	–	100%	Provision of asset management services

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

** 廣州市勝利私募證券投資基金管理有限公司 changed its name to 廣州市盈泰穩健管理諮詢有限公司 and relocated its office from Guangzhou to Shenzhen on 22 December 2021.

*** Victory Privilege Fund SPC was incorporated on 17 July 2020. Victory Privilege Fund SPC changed its name to Victory Spectacular Fund SPC on 15 July 2021.

**** Victory Asset Management Japan Limited was incorporated on 21 January 2021.

***** Victory Privilege Fund OFC was incorporated on 3 November 2021.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) 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 risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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 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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its investment property, land and buildings held for own use, convertible bonds and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and the investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parents of the Group.

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

Leasehold land and buildings held for own use under finance leases	The shorter of 50 years and unexpired term of the leases
Leasehold improvements	The shorter of 8 years and the unexpired term of the lease
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is amortised over its estimated useful life of three years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

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

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor (Continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The Group's margin client and cash client receivables are secured on the customers' underlying investment portfolio. In estimating ECL the Group considers the expected cash flows upon realization of the collateral (taking into account the volatility of the fair value of the collateral), and other credit enhancements, as these are integral to the contractual terms of the financial instrument.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. Indicators, which the Group considers holistically, that there is potential a significant increase in credit risk include, but are not limited to: significant decreases in the value of underlying stock; adverse changes in the loan-to-collateral value ("**LTV**") of the customers accounts; and, inability of the customer to meet margin calls.

The Group typically considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group irrespective of the days past due status. If the Group has objective evidence that the expected contractual cash flows of the financial asset are not significantly impacted a financial asset may not be considered credit impaired even when contractual payments are 90 days past due or greater.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, bonds issued, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, derivative financial instruments, interest-bearing bank and other borrowings and bonds issued.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Bonds issued

The non-convertible bonds are recognised as financial liabilities in the statement of financial position, net of transaction costs. On issuance of non-convertible bonds, the fair value is determined using a market rate; and they are subsequently carried as a liability and measured at amortised cost using the effective interest rate method until redemption.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Commission and brokerage income

The performance obligation is satisfied at a point in time when the customer has received the service from the Group, generally when the trades are executed. Commission and handling income on securities and futures dealing and broking is generally due within two days after trade date.

Placing and underwriting commission income and handling fee income

The performance obligation is satisfied at a point in time when the customer has received the service from the Group. The customer receives and consumes the benefits provided by the Group when the relevant services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Income from advising on securities, financial advisory fee and service fee income from share option scheme

Revenue from advising on securities, financial advisory fee and service fee income from share option scheme are recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Insurance consultancy fee

The performance obligation is satisfied at a point in time when the customer has received the service from the Group.

Asset management income

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

Revenue from other sources and other income

Interest income

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

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Fiduciary activities

The Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in the financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

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 has the most significant effect on the amounts recognised in the financial statements:

Taxes

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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. As set out in notes 15 and 16 to the financial statements, 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 ECLs on margin client and cash client receivables

In order to estimate the ECL allowance for margin client receivables, the Group forecasts the potential shortfall amount (i.e. the forecast potential difference between the amounts owed the Group and the value of the underlying stock collateral). The forecast of potential shortfall takes into account expected future collateral prices (estimated based on observed historical stock price volatilities adjusted to reflect current conditions and forecasts of future economic conditions) and failure to meet margin call requirements given the contractual termination periods.

In order to estimate the ECL allowance for cash client receivables the Group first assigns an internal credit rating to each exposure based upon an assessment of overdue days and the valuation of collateral held (the LTV). The ECL allowance is calculated by applying a loss rate to each cash client receivable exposure. Loss rates for the internal credit rating are estimated by reference to the published default rates from international credit rating agencies, with adjustments to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The amount of ECL, for credit impaired exposures, is measured as the difference between the contractual cash flows that are due to the Group and the probability-weighted present value of the cash flows that the Group expects to receive. In order to estimate the expected value of the cash flows which the Group expects to receive, the Group considers various scenarios for collateral realization, including applying haircuts as appropriate, and other sources of repayment from the counterparty.

As at 31 December 2021, a credit loss allowance of HK$8,300,206 (2020: HK$1,634,920) has been made against margin client and cash client receivables. Further details are set out in note 21(f) to the financial statements. No credit loss allowance has been provided for financial assets other than the margin client and cash client receivables as the related credit loss allowances were immaterial.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(c) 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/losses 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021

	Securities/ futures broking services HK$	Financing services HK$	Asset management services HK$	Insurance consultancy services HK$	Financial advisory services HK$	Total HK$
Segment revenue (note 5)	68,872,777	34,092,545	(2,646,549)	887,781	971,200	102,177,754
Segment results	40,867,606	20,547,913	(5,896,502)	(113,515)	(1,338,289)	54,067,213
Reconciliation:						
Other income and gains/(losses), net						(3,286,119)
Corporate and other unallocated expenses						(33,407,127)
Profit before tax						17,373,967
Other segment information:						
Interest income from clients	–	34,092,545	–	–	–	34,092,545
Finance costs (other than interest on lease liabilities)	–	(6,879,345)	–	–	–	(6,879,345)
Commission expenses	(15,571,954)	–	–	(465,329)	–	(16,037,283)
Charge for allowance for ECLs on accounts receivable, net	–	(6,665,286)	–	–	–	(6,665,286)

The depreciation and amortisation for the year ended 31 December 2021 of HK$4,458,588 (2020: HK$3,131,929) and HK$278,803 (2020: HK$434,360), respectively, are included in the unallocated expenses.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2020

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

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 from which the revenue amounted to over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020.

5. REVENUE

An analysis of revenue is as follows:

	2021 HK$	2020 HK$
Revenue from contracts with customers	**67,171,167**	58,586,467
Revenue from other sources		
Interest income calculated using the effective interest method from:		
– clients	**34,092,545**	21,850,001
– authorised institutions	**857,100**	62,602
– others	**56,942**	55,843
	102,177,754	80,554,913

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 line is as follows:

	2021 HK$	2020 HK$
Commission and brokerage income	**57,923,922**	38,014,845
Placing and underwriting commission income	**1,466,062**	6,082,517
Income from advising on securities	**–**	78,333
Handling fee income	**8,208,751**	3,944,767
Asset management fee	**5,347,054**	6,823,745
Financial advisory fee	**971,200**	2,216,800
Service fee income from share option scheme	**360,000**	210,000
Insurance consultancy fee	**887,781**	1,215,460
	75,164,770	58,586,467
Less: Provision for losses on guaranteed contracts with customers	**(7,993,603)**	–
Total revenue from contracts with customers	**67,171,167**	58,586,467

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

	Note	2021 HK$	2020 HK$
Other income			
Government grant		**455,161**	2,243,168
Gross rental income		**480,000**	326,500
Sundry income		**318,889**	156,164
		1,254,050	2,725,832
Trading (losses)/gains, net			
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(4,919,141)**	5,799,643
Dividend income from financial assets at fair value through profit or loss		**178,972**	190,652
		(4,740,169)	5,990,295
Other gain/(loss), net			
Fair value gain/(loss) on investment property	16	**200,000**	(100,000)
		200,000	(100,000)
		(3,286,119)	8,616,127

7. STAFF COSTS

Staff costs (including directors' and chief executive's remuneration (note 10)) are as follows:

	2021 HK$	2020 HK$
Salaries, allowances and benefits in kind	**29,252,531**	26,255,338
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	**973,370**	842,742
	30,225,901	27,098,080

8. PROFIT BEFORE TAX

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

	Notes	2021 HK$	2020 HK$
Auditor's remuneration		**790,000**	860,000
Amortisation	18	**278,803**	434,360
Depreciation of property, plant and equipment	15	**2,764,214**	2,462,543
Depreciation of right-of-use assets	17(a)	**1,694,374**	669,386
Direct operating expenses arising from rental-earning investment property		**9,291**	8,791
Exchange and clearing fee		**1,466,550**	1,478,719
Foreign exchange differences, net		**(10,193)**	(497,992)
Information service expenses		**2,286,893**	2,256,506
Lease payments not included in the measurement of lease liabilities	17(c)	**159,383**	423,814
Charge for allowance for ECLs on accounts receivable, net	21	**6,665,286**	1,103,412
Share-based payment expenses	32	**–**	10,474

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2021 HK$	2020 HK$
Interest on bank loans, overdrafts and other loans		**4,936,905**	4,761,536
Interest on bonds issued	29	**200,000**	15,342
Interest on client payables with no fixed repayment terms		**1,742,440**	348,637
Interest on lease liabilities	17(b)	**61,540**	30,784
Total interest expense on financial liabilities not at fair value through profit or loss		**6,940,885**	5,156,299

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$	2020 HK$
Fees	**800,000**	800,000
Other emoluments:		
Salaries, allowances and benefits in kind	**3,434,232**	3,135,614
Contributions to retirement schemes	**129,250**	109,238
Commission expenses	**320,821**	286,962
	4,684,303	4,331,814

During the year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options was determined as at the date of grant and the Group did not recognise any equity-settled share option expense for the year ended 31 December 2021 as the Directors consider that the amount is immaterial.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2021 HK$	2020 HK$
Mr. Liu Chun Ning Wilfred	**160,000**	160,000
Mr. Ying Wing Ho Peter	**160,000**	160,000
Dr. Yan Ka Shing (Note)	**–**	–
	320,000	320,000

Note:

Dr. Yan Ka Shing decided not to receive remuneration for his personal reasons.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive Directors, a non-executive Director and the chief executive

	Fees HK$	Salaries, allowances and benefits in kind HK$	Contributions to retirement schemes HK$	Commission expenses HK$	Total remuneration HK$
2021					
Executive Directors:					
Ms. Kou Kuen *(Chief Executive Officer)*	120,000	1,485,490	108,000	227,164	1,940,654
Mr. Chiu Che Leung, Stephen	120,000	1,050,000	–	20,469	1,190,469
Mr. Chan Pui Chuen	120,000	898,742	21,250	73,188	1,113,180
	360,000	3,434,232	129,250	320,821	4,244,303
Non-executive Director:					
Mr. Chan Ying Kit *(Chairman)*	120,000	–	–	–	120,000
	120,000	–	–	–	120,000
	480,000	3,434,232	129,250	320,821	4,364,303
2020					
Executive Directors:					
Ms. Kou Kuen *(Chief Executive Officer)*	120,000	1,418,269	88,800	205,409	1,832,478
Mr. Chiu Che Leung, Stephen	120,000	947,075	–	44,001	1,111,076
Mr. Chan Pui Chuen	120,000	770,270	20,438	37,552	948,260
	360,000	3,135,614	109,238	286,962	3,891,814
Non-executive Director:					
Mr. Chan Ying Kit *(Chairman)*	120,000	–	–	–	120,000
	120,000	–	–	–	120,000
	480,000	3,135,614	109,238	286,962	4,011,814

During the years ended 31 December 2021 and 2020, there was no arrangement under which a director waived or agreed to waive any remuneration.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive Directors, a non-executive Director and the chief executive *(Continued)*

During the years ended 31 December 2021 and 2020, no remuneration was paid or payable by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2020: two Directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **HK$**	2020 HK$
Salaries, allowances and benefits in kind	**3,792,343**	3,185,851
Contributions to retirement schemes	**54,000**	54,000
	3,846,343	3,239,851

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

	2021 **HK$**	2020 HK$
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
	3	3

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options was determined as at the date of grant and the Group did not recognise any equity-settled share option expense for the year ended 31 December 2021 as the Directors consider that the amount is immaterial.

No remuneration was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group as compensation for loss of office during the years ended 31 December 2021 and 2020.

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

	Note	2021 HK$	2020 HK$
Current tax:			
Charge for the year		**2,226,346**	3,318,348
(Overprovision)/underprovision in prior years		**(8,790)**	51,584
		2,217,556	3,369,932
Deferred tax	30	**104,512**	80,004
Total tax charge for the year		**2,322,068**	3,449,936

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

	2021 HK$	2020 HK$
Profit before tax	**17,373,967**	26,633,452
Tax at the statutory tax rate of 16.5%	**2,866,705**	4,394,520
Expenses not deductible for tax	**3,836,397**	2,369,153
Income not subject to tax	**(4,221,019)**	(3,198,836)
Profits and losses attributable to associates	**13,775**	–
(Overprovision)/underprovision for profits tax in prior years	**(8,790)**	51,584
Tax relief of 8.25% on first HK$2 million of assessable profits	**(165,000)**	(165,000)
Others	**–**	(1,485)
Tax charge for the year with effective rate of 13.4% (2020: 13.0%)	**2,322,068**	3,449,936

13. DIVIDENDS

	Notes	2021 HK$	2020 HK$
Interim dividend	a	**2,600,546**	2,600,546
Less: Dividend for shares held under the Company's share award scheme		**(187,590)**	–
		2,412,956	2,600,546
Final dividend	b	**3,400,714**	3,200,672
Less: Dividend for shares held under the Company's share award scheme		**(245,310)**	–
		3,155,404	3,200,672
Dividends declared and paid		**5,568,360**	5,801,218
Proposed final dividend	c	**3,200,672**	3,400,714
		8,769,032	9,201,932

Notes:

(a) At a meeting held on 5 August 2021, the board of Directors (the "**Board**") declared an interim dividend of HK1.30 cents (2020: HK1.30 cents) per share for the six months ended 30 June 2021, which was paid on 10 September 2021.

(b) The final dividend for the year ended 31 December 2020 was approved at the annual general meeting of the Company held on 27 May 2021 and paid on 23 June 2021.

(c) A final dividend of HK1.60 cents (2020: HK1.70 cents) per share for the year ended 31 December 2021 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

14. 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 amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 187,027,342 (2020: 197,516,967) in issue during the year.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

(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 Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use HK$	Motor vehicles HK$	Office equipment HK$	Computer equipment HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Right-of-use assets (note 17) HK$	Total HK$
31 December 2021								
At 1 January 2021:								
Cost or valuation	46,200,000	926,000	976,839	1,615,586	1,255,953	4,517,543	3,687,230	59,179,151
Accumulated depreciation	–	(694,324)	(937,007)	(1,253,330)	(924,909)	(1,817,986)	(669,492)	(6,297,048)
Net carrying amount	46,200,000	231,676	39,832	362,256	331,044	2,699,557	3,017,738	52,882,103
At 1 January 2021, net of accumulated depreciation	46,200,000	231,676	39,832	362,256	331,044	2,699,557	3,017,738	52,882,103
Additions	–	553,860	19,278	298,807	–	–	2,744,244	3,616,189
Depreciation provided during the year	(1,904,434)	(208,230)	(11,319)	(192,511)	(82,896)	(364,824)	(1,694,374)	(4,458,588)
Exchange realignment	–	–	–	–	–	–	6,540	6,540
Gain on revaluation	6,404,434	–	–	–	–	–	–	6,404,434
At 31 December 2021, net of accumulated depreciation	50,700,000	577,306	47,791	468,552	248,148	2,334,733	4,074,148	58,450,678
At 31 December 2021:								
Cost or valuation	50,700,000	1,479,860	996,117	1,914,393	1,255,953	4,517,543	6,431,474	67,295,340
Accumulated depreciation	–	(902,554)	(948,326)	(1,445,841)	(1,007,805)	(2,182,810)	(2,357,326)	(8,844,662)
Net carrying amount	50,700,000	577,306	47,791	468,552	248,148	2,334,733	4,074,148	58,450,678

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings held for own use HK$	Motor vehicles HK$	Office equipment HK$	Computer equipment HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Right-of-use assets (note 17) HK$	Total HK$
31 December 2020								
At 1 January 2020:								
Cost or valuation	53,550,000	926,000	951,694	1,530,048	921,770	1,636,552	–	59,516,064
Accumulated depreciation	–	(555,328)	(921,294)	(1,092,450)	(865,444)	(1,608,203)	–	(5,042,719)
Net carrying amount	53,550,000	370,672	30,400	437,598	56,326	28,349	–	54,473,345
At 1 January 2020, net of accumulated depreciation	53,550,000	370,672	30,400	437,598	56,326	28,349	–	54,473,345
Reclassification during the year	–	–	–	–	–	–	74,747	74,747
Additions	–	–	25,145	85,538	334,183	2,880,991	3,612,483	6,938,340
Depreciation provided during the year	(1,877,706)	(138,996)	(15,713)	(160,880)	(59,465)	(209,783)	(669,386)	(3,131,929)
Exchange realignment	–	–	–	–	–	–	(106)	(106)
Loss on revaluation	(5,472,294)	–	–	–	–	–	–	(5,472,294)
At 31 December 2020, net of accumulated depreciation	46,200,000	231,676	39,832	362,256	331,044	2,699,557	3,017,738	52,882,103
At 31 December 2020:								
Cost or valuation	46,200,000	926,000	976,839	1,615,586	1,255,953	4,517,543	3,687,230	59,179,151
Accumulated depreciation	–	(694,324)	(937,007)	(1,253,330)	(924,909)	(1,817,986)	(669,492)	(6,297,048)
Net carrying amount	46,200,000	231,676	39,832	362,256	331,044	2,699,557	3,017,738	52,882,103

The leasehold land and buildings of the Group are held in Hong Kong under finance leases and consisted of a carparking space and a commercial property (2020: a carparking space and a commercial property) and they are carried at fair value. Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$10,616,239 as at 31 December 2021 (2020: HK$11,032,562).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The fair value of the carparking space with a carrying amount of HK$2,400,000 (2020: HK$2,200,000) was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments. Apart from that, the fair value of another property was determined by using a market comparison approach by referencing to the recent sales price of comparable properties on a price per square metre basis. As at the date of the revaluation on 31 December 2021, the fair values of these properties are based on the valuations performed by Ravia Global Appraisal Advisory Limited (a member of the Hong Kong Institute of Surveyors), an independent professionally qualified valuer. The address of Ravia Global Appraisal Advisory Limited is 17/F., 83 Wan Chai Road, Wan Chai, Hong Kong.

A revaluation surplus of HK$6,404,434 (2020: revaluation deficit of HK$5,472,294) was recognised in the property revaluation reserve and in other comprehensive income for the year ended 31 December 2021.

At 31 December 2021, the Group's land and buildings with a net carrying amount of HK$48,300,000 (2020: HK$44,000,000) were pledged to secure general banking facilities granted to the Group, as further detailed in note 27 to the financial statements.

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

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into Quoted prices in active markets (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
31 December 2021				
– Commercial – Hong Kong	**–**	**–**	**48,300,000**	**48,300,000**
– Carparking space – Hong Kong	**–**	**2,400,000**	**–**	**2,400,000**
31 December 2020				
– Commercial – Hong Kong	–	–	44,000,000	44,000,000
– Carparking space – Hong Kong	–	2,200,000	–	2,200,000

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during 2021 (2020: Nil).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value hierarchy *(Continued)*

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

	Commercial property HK$
Carrying amount at 1 January 2020	51,000,000
Depreciation for the year	(1,792,029)
Loss on revaluation of land and buildings recognised in other comprehensive income	(5,207,971)
Carrying amount at 31 December 2020 and 1 January 2021	44,000,000
Depreciation for the year	(1,815,209)
Gain on revaluation of land and buildings recognised in other comprehensive income	6,115,209
Carrying amount at 31 December 2021	48,300,000

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

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

	2021 HK$	2020 HK$
Price per square foot	**18,613**	16,956

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

16. INVESTMENT PROPERTY

	2021 HK$	2020 HK$
Carrying amount at 1 January	**10,700,000**	10,800,000
Net gain/(loss) from a fair value adjustment (note 6)	**200,000**	(100,000)
Carrying amount at 31 December	**10,900,000**	10,700,000

16. INVESTMENT PROPERTY *(Continued)*

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

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

The investment property was revalued on 31 December 2021 based on a valuation performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer, at HK$10,900,000 (31 December 2020: HK$10,700,000).

The investment property is leased to a third party under an operating lease, further summary details of which are included in note 17 to the financial statements.

At 31 December 2021, the Group's investment property with a carrying amount of HK$10,900,000 (2020: HK$10,700,000) was pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the financial statements.

Fair value hierarchy

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

	Fair value measurements categorised into			
Fair value measurement for:	Quoted prices in active markets (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
31 December 2021				
– Residential – Hong Kong	**–**	**–**	**10,900,000**	**10,900,000**
31 December 2020				
– Residential – Hong Kong	–	–	10,700,000	10,700,000

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2020. During the year ended 31 December 2021, the residential property was transferred from Level 3 to Level 2 by using direct comparison method based on market observable transaction of similar properties without any significant adjustments in the first quarter of 2021. However, the residential property was transferred back from Level 2 to Level 3 in the fourth quarter of 2021 due to the unavailability of market observable transaction of similar properties.

16. INVESTMENT PROPERTY *(Continued)*

Fair value hierarchy *(Continued)*

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

	Residential property HK$
Carrying amount at 1 January 2020	10,800,000
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(100,000)
Carrying amount at 31 December 2020 and 1 January 2021	10,700,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	200,000
Carrying amount at 31 December 2021	10,900,000

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

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

	2021 **HK$**	2020 HK$
Price per square foot	**15,843**	15,552

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

17. 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 amount of the Group's right-of-use assets (included under property, plant and equipment) and the movements during the year are as follows:

	Office premises 2021 HK$	Office premises 2020 HK$
As at 1 January	**3,017,738**	74,747
Additions	**2,744,244**	3,612,483
Depreciation charge	**(1,694,374)**	(669,386)
Exchange realignment	**6,540**	(106)
As at 31 December	**4,074,148**	3,017,738

(b) Lease liabilities

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

	2021 HK$	2020 HK$
Carrying amount at 1 January	**3,089,947**	79,843
Additions	**2,744,244**	3,612,483
Accretion of interest recognised during the year	**61,540**	30,784
Payments	**(1,722,746)**	(633,060)
Exchange realignment	**6,612**	(103)
Carrying amount at 31 December	**4,179,597**	3,089,947
Analysed into:		
Current portion	**2,433,528**	1,595,877
Non-current portion	**1,746,069**	1,494,070

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2021 HK$	2020 HK$
Interest on lease liabilities	**61,540**	30,784
Depreciation charge of right-of-use assets	**1,694,374**	669,386
Expense relating to short-term leases (included in other operating expenses)	**159,383**	423,814
Total amount recognised in profit or loss	**1,915,297**	1,123,984

The Group as a lessor

The Group leases its investment property (note 16) which is a 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$480,000 (2020: HK$326,500), details of which are included in note 6 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$	2020 HK$
Within one year	**424,032**	464,194
After one year but within two years	**–**	145,000
	424,032	609,194

18. INTANGIBLE ASSETS

	Notes	2021 HK$	2020 HK$
Trading right	a	**1**	1
Software	b	**221,551**	340,354
		221,552	340,355

Notes:

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

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

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

	Software HK$
31 December 2021	
At 1 January 2021:	
Cost	**1,343,050**
Accumulated amortisation	**(1,002,696)**
Net carrying amount	**340,354**
At 1 January 2021, net of accumulated amortisation	**340,354**
Additions	**160,000**
Amortisation provided during the year	**(278,803)**
At 31 December 2021, net of accumulated amortisation	**221,551**
At 31 December 2021	
Cost	**1,503,050**
Accumulated amortisation	**(1,281,499)**
Net carrying amount	**221,551**
31 December 2020	
At 1 January 2020:	
Cost	1,180,000
Accumulated amortisation	(568,336)
Net carrying amount	611,664
At 1 January 2020, net of accumulated amortisation	611,664
Additions	163,050
Amortisation provided during the year	(434,360)
At 31 December 2020, net of accumulated amortisation	340,354
At 31 December 2020	
Cost	1,343,050
Accumulated amortisation	(1,002,696)
Net carrying amount	340,354

19. INVESTMENTS IN ASSOCIATES

	2021 HK$	2020 HK$
Share of net assets	**975,092**	313,762
Goodwill on acquisition	**1,065,783**	1,083,108
	2,040,875	1,396,870

The amount due from an associate included in the Group's prepayments and other receivables totalling HK$309,896 (2020: Nil) is unsecured, interest-free and are repayable on demand.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Nest Asset Management Pte. Ltd. ("**Nest Asset Pte**")	Ordinary shares	Singapore	30	Provision of asset management services
Victory Fintech Company Limited ("**Victory Fintech**")	Ordinary shares	Hong Kong	5	Provision of broking services and financing services

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company. The associates are accounted for using the equity method in these consolidated financial statements.

Since Mr. Chan Pui Chuen ("**Mr. Chan**"), one of the Directors, owned 40% of the shares of Victory Fintech, the Directors consider that the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information of associates

Summarised financial information in respect of the Group's associates is set out below.

	2021 Victory Fintech HK$	2021 Nest Asset Pte HK$	2021 Total HK$
Non-current assets	42,474	13,923	56,397
Current assets	11,967,335	1,526,511	13,493,846
Current liabilities	–	(291,760)	(291,760)
Revenue	–	3,394,868	3,394,868
(Loss)/profit for the year	(2,990,191)	220,090	(2,770,101)

	2020 Victory Fintech HK$	2020 Nest Asset Pte HK$	2020 Total HK$
Non-current assets	–	14,149	14,149
Current assets	–	1,032,914	1,032,914
Current liabilities	–	(1,190)	(1,190)
Revenue	–	2,596,762	2,596,762
Loss for the year	–	(524,902)	(524,902)

Reconciliation of the Group's interest in the associates:

	2021 Victory Fintech HK$	2021 Nest Asset Pte HK$	2021 Total HK$
Net assets	12,009,809	1,248,674	13,258,483
Proportion of the Group's ownership interest	5%	30%	5%–30%
The Group's share of net assets	600,490	374,602	975,092
Goodwill	–	1,065,783	1,065,783
Carrying amount of the Group's interest	600,490	1,440,385	2,040,875

	2020 Victory Fintech HK$	2020 Nest Asset Pte HK$	2020 Total HK$
Net assets	–	1,045,873	1,045,873
Proportion of the Group's ownership interest	–	30%	30%
The Group's share of net assets	–	313,762	313,762
Goodwill	–	1,083,108	1,083,108
Carrying amount of the Group's interest	–	1,396,870	1,396,870

20. OTHER ASSETS

	2021 HK$	2020 HK$
Hong Kong Securities Clearing Company Limited ("**HKSCC**")		
– guarantee fund deposit	100,000	100,000
– admission fee	100,000	100,000
The Stock Exchange		
– compensation fund deposit	100,000	100,000
– fidelity fund deposit	100,000	100,000
– stamp duty deposit	250,000	150,000
Long-term prepayments	11,835	213,978
	661,835	763,978

21. ACCOUNTS RECEIVABLE

	Notes	2021 HK$	2020 HK$
Margin client receivables	a	280,432,453	195,464,250
Cash client receivables	b	46,134,725	31,949,204
		326,567,178	227,413,454
Less: Allowance for ECLs	f	(8,300,206)	(1,634,920)
		318,266,972	225,778,534
Clearing house receivables	c	23,417,673	108,268,660
Broker receivables	d	37,010,623	46,880,665
Placing commission receivables	e	–	3,109,308
Fee receivables	e	1,112,863	649,522
Other receivables	e	270,000	135,000
		61,811,159	159,043,155
Total accounts receivable		380,078,131	384,821,689

21. ACCOUNTS RECEIVABLE *(Continued)*

Notes:

(a) **Margin client receivables**

At 31 December 2021, the Group held securities (excluding bonds) with an aggregate fair value of HK$1,203,942,482 (2020: HK$871,014,903) and bonds with an aggregate fair value of HK$14,183,339 (2020: HK$15,878,155) 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 on behalf of each individual client who had shortfall and a provision for impairment losses of HK$7,754,310 was made as at 31 December 2021 (2020: provision for impairment losses of HK$1,209,451).

(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 the 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:

	2021 HK$	2020 HK$
Cash client receivables		
Within 2 days	**22,861,391**	16,715,658
Past due		
– Over 2 days but less than 1 month	**17,489,022**	8,428,718
– Over 1 month but less than 3 months	**67,962**	38,904
– Over 3 months but less than 12 months	**1,492,300**	3,735,375
– Over 12 months but less than 2 years	**4,224,050**	2,762,322
– Over 2 years	**–**	268,227
	46,134,725	31,949,204

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall and a provision for impairment losses of HK$184,519 was made as at 31 December 2021 (2020: provision for impairment losses of HK$148,002).

(c) **Clearing house receivables**

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

	2021 HK$	2020 HK$
Clearing house receivables		
Within 2 days	**23,417,673**	108,268,660

21. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) Clearing house receivables *(Continued)*

As at 31 December 2021, included in receivables from clearing houses was a net receivable from HKSCC of HK$23,417,673 (2020: HK$108,268,660), with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 39 to the financial statements.

(d) Broker receivables

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

(e) Receivables from other major service lines

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

(f) Allowance for ECLs

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

	2021			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2021	262,403	15,064	1,357,453	1,634,920
Transfer to stage 1	21,216	(15,040)	(6,176)	–
Transfer to stage 2	(6,545)	6,545	–	–
Transfer to stage 3	(13)	(24)	37	–
Change arising from transfer of stages	(13,424)	3,774	4,689,806	4,680,156
Other remeasurement of loss allowance	87,421	–	1,897,709	1,985,130
As at 31 December 2021	351,058	10,319	7,938,829	8,300,206
Arising from:				
Margin client receivables	46,006	10,319	7,754,310	7,810,635
Cash client receivables	305,052	–	184,519	489,571
	351,058	10,319	7,938,829	8,300,206
ECLs rate				
Margin client receivables	0.02%	0.02%	30.48%	2.79%
Cash client receivables	0.66%	N/A	92.31%	1.06%

21. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(f) Allowance for ECLs *(Continued)*

	2020			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total 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	262,403	15,064	1,357,453	1,634,920
Arising from:				
Margin client receivables	78,352	15,064	1,209,451	1,302,867
Cash client receivables	184,051	–	148,002	332,053
	262,403	15,064	1,357,453	1,634,920
ECLs rate				
Margin client receivables	0.05%	0.06%	16.40%	0.67%
Cash client receivables	0.58%	N/A	48.17%	1.04%

Impairment under HKFRS 9 for the year ended 31 December 2021

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 2021:

- Transfer of client receivables of HK$9,221,480 from stage 1 to stage 3 and HK$13,168,724 from stage 2 to stage 3, resulting in an increase in credit loss allowance of HK$4,689,806; and
- Increase in margin client receivables and cash client receivables of HK$84,968,203 and HK$14,185,521, which included origination of new client receivables and new drawdown from existing clients.

As at 31 December 2021, the stage 3 gross margin client and cash client receivables amounted to HK$25,644,196, of which HK$22,345,263 are those customers holding suspended securities. For the remaining balance amounting to HK$3,298,933, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK$20,374.

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.

21. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(f) **Allowance for ECLs** *(Continued)*

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; and
- Increase in margin client receivables of HK$62,680,883, which included the origination of new client receivables and new drawdowns from existing clients.

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$1,874,099.

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.

22. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021 HK$	2020 HK$
Prepayments, other debtors and deposits		7,792,832	8,174,889
Due from an associate	a	309,896	–
Due from a holding company	a	30,660	30,853
Due from a related company	a	387,413	–
		8,520,801	8,205,742

As at 31 December 2021, none of the other receivables were impaired (2020: Nil).

Note:

(a) The amounts due from an associate, a holding company and a related company are non-trade in nature, interest-free, unsecured and have no fixed terms of repayment.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 HK$	2020 HK$
Non-current			
An unlisted investment designated at fair value through profit or loss	(i)	**3,897,213**	3,713,966
Current			
Investments designated at fair value through profit or loss:			
Listed equity securities – Hong Kong	(ii)	**9,657,234**	7,936,350
Convertible bonds issued by a listed company	(iii)	**–**	577,720
		9,657,234	8,514,070
		13,554,447	12,228,036

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

Notes:

(i) The above unlisted investment represented an amount paid for a life insurance policy in Hong Kong. It was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

In July 2020, the Group's subsidiary, Victory Securities (HK) entered into a life insurance policy with an insurance company on Mr. Chan. Under the policy, the beneficiary and policy holder is Victory Securities (HK). Victory Securities (HK) is required to pay a single premium for the policy. Victory Securities (HK) may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of surrender, which is determined by the account value net of any surrender charge. If such surrender is made at any time during the first to the fifteenth policy year, a pre-determined specified surrender charge would be imposed. Surrender charges can be significant, especially in the early years of the policy. The policy premium expense, insurance charges and surrender charges are recognised in profit or loss. The life insurance policy carries guaranteed interest of 2.3% per annum.

Particulars of the policy are as follows:

Life insured	Insured sum	Single premium	Guaranteed interest rate
Mr. Chan	US$1,000,000 (equivalent to HK$7,752,850)	US$94,102 (equivalent to HK$729,560)	2.3% per annum

At 31 December 2021, the carrying amount of the amount paid for the life insurance policy was determined with reference to the account value as provided by the insurance company and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States dollars.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

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

(iii) As at 31 December 2020, the convertible bonds issued by a listed company in Hong Kong were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable input to fair value
Level 3	Discounted cash flow model	Discount rate of 31.60%	With 5% increase or decrease in discount rate, the fair value would be decreased by HK$41,482 or increased by HK$46,492

As at 31 December 2021, the convertible bonds issued by a listed company in Hong Kong were fully written down.

As at 31 December 2021, listed equity securities and an unlisted investment with carrying values of HK$5,488,481 (2020: HK$5,547,100) and HK$3,897,213 (2020: 3,713,966) were pledged to secure banking facilities granted to the Group as further detailed in note 27 to the financial statements.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 HK$	2020 HK$
Bank balances	**17,925,522**	30,330,664
Time deposit	**4,000,000**	–
Cash in hand	**6,532**	4,494
	21,932,054	30,335,158
Less: Pledged time deposit for bank overdraft facilities	**(4,000,000)**	–
Cash and cash equivalents	**17,932,054**	30,335,158
Denominated in:		
Hong Kong Dollars	**9,984,514**	12,630,102
Renminbi	**10,551,267**	14,679,507
United States Dollars	**346,591**	2,802,015
Others	**1,049,682**	223,534

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. A short-term time deposit is made for a period of three months, and earns interest at the short-term time deposit rate. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business. At 31 December 2021, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK$583,121,110 (2020: HK$264,621,537).

As at 31 December 2021, a time deposit with a carrying value of HK$4,000,000 (2020: Nil) was pledged to secure banking facilities granted to the Group as further detailed in note 27 to the financial statements.

25. ACCOUNTS PAYABLE

	2021 HK$	2020 HK$
Margin and cash client payables	**17,978,910**	127,441,975
Due to clearing houses	**25,041,858**	2,209,166
Broker payables	**7,210,395**	8,284,326
Insurer payables	**41,285**	31,204
	50,272,448	137,966,671

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 2021, included in amounts payable to clearing houses was a net payable to HKSCC of HK$25,041,858 (2020: HK$2,209,166) with a legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 39 to the financial statements.

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

26. OTHER PAYABLES AND ACCRUALS

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 HK$	2020 HK$
Current		
Bank loans – secured	**205,154,000**	124,554,000

At 31 December 2021, bank loans were secured by clients' securities and securities held by the Group amounting to HK$264,751,205 (2020: HK$179,566,163), an unlisted investment held by the Group amounting to HK$3,897,213 (2020: 3,713,966), a time deposit held by the Group amounting to HK$4,000,000 (2020: Nil), leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to HK$59,200,000 (2020: HK$54,700,000).

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

The effective interest rates for bank loans are floating rates ranging from 1.00% to 3.10% (2020: 1.60% to 6.20%) per annum.

28. PROVISIONS

	Provision for losses on guaranteed contracts with customers HK$	Other provisions HK$	Total HK$
At 1 January 2020	–	170,514	170,514
Addition of provision	–	12,291	12,291
At 31 December 2020 and 1 January 2021	–	182,805	182,805
Addition/(reversal) of provision	7,993,603	(55,395)	7,938,208
Amounts utilised during the year	(5,460,517)	–	(5,460,517)
At 31 December 2021	2,533,086	127,410	2,660,496

The Group entered into loss protection discretionary account management agreements with 3 customers for asset management services provided during the year ended 31 December 2021 (2020: 1 customer). The amount of the provision for losses on guaranteed contracts with customers are estimated based on the fair value of the portfolio of assets held at the end of the reporting period. The remaining guaranteed contracts are expected to expire in 2023.

29. BONDS ISSUED

On 4 December 2020, the Company issued 4,000,000 5% non-convertible bonds with a nominal value of HK$4,000,000. The bonds carry interest at a rate of 5% per annum. The fair value of the non-convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The non-convertible bonds measured at amortised cost using the effective interest rate method at the end of the reporting period are as follows:

	2021 HK$	2020 HK$
Non-convertible bonds at the issuance date	4,000,000	4,000,000
Interest expense	215,342	15,342
Non-convertible bonds at 31 December	4,215,342	4,015,342

30. DEFERRED TAX LIABILITIES

Deferred tax is calculated in full on temporary differences under the liability method using a statutory tax rate of 16.5% (2020: 16.5%). The movements of the deferred tax liabilities for the years ended 31 December 2021 and 2020 are as follows:

	2021			
	Accelerated tax depreciation HK$	Revaluation of properties HK$	Charge of allowance for ECLs HK$	Total HK$
At 1 January 2021	691,301	6,271,018	(45,782)	6,916,537
Deferred tax charged/(credited) to the statement of profit or loss during the year	118,358	–	(13,846)	104,512
Deferred tax recognised in other comprehensive income	–	1,056,732	–	1,056,732
At 31 December 2021	809,659	7,327,750	(59,628)	8,077,781

30. DEFERRED TAX LIABILITIES *(Continued)*

	2020			
	Accelerated tax depreciation HK$	Revaluation of properties HK$	Charge of allowance for ECLs HK$	Total HK$
At 1 January 2020	618,787	7,173,947	(53,272)	7,739,462
Deferred tax charged to the statement of profit or loss during the year	72,514	–	7,490	80,004
Deferred tax recognised in other comprehensive income	–	(902,929)	–	(902,929)
At 31 December 2020	691,301	6,271,018	(45,782)	6,916,537

31. SHARE CAPITAL

Shares

Authorised shares

As at 31 December 2021, the total number of authorised ordinary shares was 2,000,000,000 (2020: 2,000,000,000) with a par value of HK$0.01 per share (2020: HK$0.01 per share).

Issued and fully paid

	2021 HK$	2020 HK$
Issued and fully paid: 200,042,000 (2020: 200,042,000) ordinary shares	**2,000,418**	2,000,418

31. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Authorised shares (Continued)

Issued and fully paid *(Continued)*

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

	Note	Number of shares in issue	Share capital HK$
As at 1 January 2020		200,000,000	1,999,998
Share options exercised	a	42,000	420
As at 31 December 2020, 1 January 2021 and 31 December 2021		200,042,000	2,000,418

Note:

(a) The subscription rights attaching to 42,000 share options were exercised at the subscription price of HK$1.25 per share (note 32), resulting in the issue of 42,000 shares for a total cash consideration, before expenses, of HK$52,500. No share option reserve was transferred to share capital upon exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Directors and employees of the Group. The Scheme became effective on 14 June 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

32. SHARE OPTION SCHEME *(Continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to three years and ends on the expiry date of the Scheme.

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

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

The following share options were outstanding under the Scheme during the years ended 31 December 2021 and 2020:

Number of share options as at 1 January 2020	1,412,000
Exercised during the year	(42,000)
Forfeited during the year	(1,370,000)
Number of share options as at 31 December 2020 and 1 January 2021	–
Exercised during the year	–
Forfeited during the year	–
Granted during the year	7,050,000
Number of share options as at 31 December 2021	7,050,000

No share options were exercised during the year ended 31 December 2021 (2020: HK$1.25 per share).

The fair value of the share options granted recognised during the year ended 31 December 2021 was HK$4,287,543 (HK$0.61 each) (2020: HK$10,795, HK$0.01 each), of which the Group did not recognise any share option expense as the Directors consider that the amount is immaterial (2020: HK$10,474).

32. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted on 30 December 2021 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 30 December 2021
Expected dividend yield (%)	1.31
Expected volatility (%)	28.844
Risk-free interest rate (%)	1.238
Early exercise multiple (%)	
– Director	280
– Non-director	220
Expected life of options (years)	6.46
Time to vest (years)	1–3
Weighted average share price (HK$ per share)	2.29

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

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

No share options exercised during the year ended 31 December 2021. During the year ended 31 December 2020, 42,000 shares options were exercised, resulting in the issue of 42,000 ordinary shares of the Company and new share capital of HK$420 (before issue expenses), as further detailed in note 31 to the financial statements.

At the end of the reporting period, the Company had 7,050,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,050,000 additional ordinary shares of the Company and additional share capital of HK$70,500 (before issue expenses).

33. SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "**Award Scheme**") on 11 August 2020. The purpose of the Award Scheme is, through an award of shares of the Company, to (i) recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Company has entered into the trust deed of the Award Scheme (the "**Trust Deed**") with Victory Global Trustee Company Limited ("**Victory Global Trustee**") on 11 August 2020, in which Victory Global Trustee will act as Trustee of the Award Scheme (the "**Trustee**"). The Trustee shall, during the period which the Trust Deed is valid, apply the cash income of the trust fund towards (i) the payment of the fees, costs and expenses of the trust constituted by the Trust Deed (the "**Trust**") in accordance with the Trust Deed and (ii) the remainder, if any, such other purpose as the Trustee and the Board shall agree from time to time. Cash income shall include net proceeds of sale of non-cash or non-scrip distribution in respect of a share of the Company held upon the Trust.

33. SHARE AWARD SCHEME *(Continued)*

The Board may, from time to time, at its absolute discretion select any eligible person for participation in the Award Scheme as a selected participant. Participation in the Award Scheme is limited to selected participants only. The entitlement to the awarded shares and/or the related income shall be designated by the Board at its absolute discretion. The eligibility of the eligible persons to an award of shares of the Company (together with the related income attributable to such shares, if any) to selected participants as determined by the Board pursuant to the rules of the Award Scheme shall be determined by the Board considering: (i) his/her past and future contribution to the Group; (ii) the financial condition of the Group; and (iii) the Group's business objectives and development plan.

Subject to any early termination as may be determined by the Board, the Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date (i.e. 11 August 2020) of the Award Scheme, and after the expiry of such ten years' term no further Award may be made but the rules of the Award Scheme shall remain in full force and effect to the extent necessary to give effect to any award made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

The aggregate number of shares of the Company administered under the Award Scheme and underlying all grants of shares of the Company (excluding shares of the Company where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Award Scheme shall not exceed 10% of the Company's issued shares as at the adoption date of the Award Scheme. The maximum number of the awarded shares of the Company which may be granted to an individual selected participant shall not exceed 1% of the issued shares of the Company as at the adoption date of the Award Scheme. Where any Award is proposed to be made to any selected participant who is a connected person pursuant to the GEM Listing Rules, the aggregate number of awarded shares of the Company to the connected persons must be 30% or less of the Award Scheme limit as stated above.

Details of the Scheme are set out in the announcement of the Company dated 11 August 2020. For the purpose of the Award Scheme, the Company purchased its own ordinary shares through the Trustee as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid HK$
August 2020	5,980,000	7,534,800
November 2020	2,150,000	2,752,000
March 2021	6,300,000	8,190,000
	14,430,000	18,476,800

No award shares were granted for the year ended 31 December 2021 (2020: Nil).

34. RESERVES

The amounts of the Group's reserves and the movements for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity.

Merger reserve

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

35. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Particulars of the subsidiary are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Victory Asset Management Japan Limited ("**Victory Japan**")	Ordinary shares	Japan	85	Provision of asset management services

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	Victory Japan 2021 HK$
Percentage of equity interest held by non-controlling interests	15%
Loss for the year allocated to non-controlling interests	(56,326)
Dividends paid to non-controlling interests	–
Accumulated balances of non-controlling interests at the reporting date	149,286

35. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Victory Japan 2021 HK$
Revenue	2
Total expenses	(375,510)
Loss for the year	(375,508)
Total comprehensive loss for the year	(476,363)
Current assets	999,977
Non-current assets	838,722
Current liabilities	(478,538)
Non-current liabilities	(364,924)
Net cash flows used in operating activities	(418,191)
Net cash flows from investing activities	2
Net cash flows from financing activities	1,403,947
Net increase in cash and cash equivalents	985,758

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank and other loans HK$	Lease liabilities HK$
At 1 January 2020	69,000,000	79,843
Changes from financing cash flows	55,554,000	(602,276)
Additions	–	3,612,483
Interest expense	–	30,784
Interest paid classified as operating cash flows	–	(30,784)
Exchange realignment	–	(103)
At 31 December 2020 and 1 January 2021	**124,554,000**	**3,089,947**
Changes from financing cash flows	**80,600,000**	**(1,661,206)**
Additions	**–**	**2,744,244**
Interest expense	**–**	**61,540**
Interest paid classified as operating cash flows	**–**	**(61,540)**
Exchange realignment	**–**	**6,612**
At 31 December 2021	**205,154,000**	**4,179,597**

(b) Total cash outflow for leases

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

	2021 HK$	2020 HK$
Within operating activities	**159,383**	423,814
Within financing activities	**1,722,746**	633,060
	1,882,129	1,056,874

37. RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK$	2020 HK$
Close family members of Directors:			
Brokerage income	a	7,855	5,715
Interest income	b	601	59
Key management personnel:			
Brokerage income	a	816,600	466,770
Commission expenses	a	(2,934,559)	(2,558,771)
Interest income	b	1,513,334	1,009,416
Interest expense	b	(2,862)	(3,243)
Related companies:			
Victory Global Trustee Company Limited			
Brokerage income	a	1,786,298	698,946
Interest income	b	70,437	111,201
Interest expense	b	(3,853)	–
Asset management fee	c	1,579,438	1,443,709
Professional fee	c	(130,000)	(174,167)
Sundry expenses	c	(12,987)	(26,819)
Victory Finance Company Limited			
Gross rental income	c	174,000	14,500
Sundry income	c	120,000	10,000
Victory Corporate Solutions Company Limited			
IT expenses	c	(90,000)	(90,000)
Victory Financial Group Company Limited			
Lease payments not included in the measurement of lease liabilities	c	–	(200,000)
Rent and rate	c	–	(11,000)
Sundry expenses	c	(120,000)	(120,000)

Notes:

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

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

(c) The relevant income and expenses were based on terms stipulated on the agreement entered between the contracting parties.

37. RELATED PARTY TRANSACTIONS *(Continued)*

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

	31 December	
	2021	2020
	HK$	HK$
Close family members of Directors:		
Accounts payable	**(36,895)**	(136,926)
Key management personnel:		
Accounts receivable	**35,478,025**	17,326,552
Accounts payable	**(39,342)**	(48,046)
Victory Global Trustee Company Limited		
Accounts receivable	**548,847**	2,192,284
Other receivables	**398,246**	10,833
Victory Financial Group Company Limited		
Accounts payable	**(328,170)**	(275,837)
Nest Asset Pte		
Other receivables	**309,896**	–
Victory Corporate Solutions Company Limited		
Other receivables	**60,000**	60,000
Dr. TT Kou's Family Company Limited		
Other receivables	**30,660**	30,853

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

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

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments

The Group classified its financial assets in the following categories:

	Financial assets at amortised cost HK$	Financial assets at fair value through profit or loss HK$	Total HK$
31 December 2021			
Financial assets included in other assets	650,000	–	650,000
Accounts receivable	380,078,131	–	380,078,131
Financial assets at fair value through profit or loss	–	13,554,447	13,554,447
Financial assets included in prepayments and other receivables	7,379,000	–	7,379,000
Pledged deposit	4,000,000	–	4,000,000
Cash and cash equivalents	17,932,054	–	17,932,054
Total	410,039,185	13,554,447	423,593,632

	Financial assets at amortised cost HK$	Financial assets at fair value through profit or loss HK$	Total HK$
31 December 2020			
Financial assets included in other assets	550,000	–	550,000
Accounts receivable	384,821,689	–	384,821,689
Financial assets at fair value through profit or loss	–	12,228,036	12,228,036
Financial assets included in prepayments and other receivables	7,345,443	–	7,345,443
Cash and cash equivalents	30,335,158	–	30,335,158
Total	423,052,290	12,228,036	435,280,326

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments *(Continued)*

The Group classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost HK$
31 December 2021	
Accounts payable	**50,272,448**
Other payables and accruals	**5,984,800**
Bank borrowings	**205,154,000**
Lease liabilities	**4,179,597**
Bonds issued	**4,215,342**
	269,806,187

	Financial liabilities at amortised cost HK$
31 December 2020	
Accounts payable	137,966,671
Other payables and accruals	13,481,204
Bank borrowings	124,554,000
Lease liabilities	3,089,947
Bonds issued	4,015,342
	283,107,164

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors

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

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

(i) Market risk

(1) Foreign exchange risk

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

The Group is mainly exposed to currency risk arising from Renminbi ("**RMB**"). As at 31 December 2021, if RMB had strengthened or weakened by 50 basis HK$ with all other variables held constant, the Group's profit before tax would have increased or decreased by HK$21,000 (2020: HK$31,000), respectively, mainly as a result of the foreign exchange impact arising from the net position of RMB denominated assets and liabilities.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(2) Cash flow and fair value interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of the Group's interest-bearing assets and liabilities are on a floating rate basis with maturity of one year or less.

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises in treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to the bank borrowings bearing interest at variable rates which are collateralised by margin clients' securities to mitigate the cash flow interest risk.

At 31 December 2021, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease profit for the year and retained profits by HK$1,668,000 (2020: HK$1,380,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

(3) Price risk

The Group is exposed to equity price risk through investments in equity securities. The Group is not exposed to commodity price risk. The Directors manage the exposure by closely monitoring the portfolio of equity investments. The management of the Company manages the risk exposure by closely monitoring the investment and will consider hedging the risk exposure should the needs arise.

The management of the Company has utilised the effect of stock price variation on profit to manage and analyse price risk. If the equity prices of the financial assets at fair value through profit or loss had been 5% higher/lower, with all other variables held constant, the Group's profit after tax for the year would have increased/decreased approximately by HK$678,000 for the year ended 31 December 2021 (2020: HK$611,000).

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Credit risk

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk of margin client and cash client receivables based on the Group's credit policy, which is mainly based on the LTV and past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are the carrying amounts of margin client and cash client receivables.

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	Total HK$
Margin client receivables					
– LTV larger than 100%	13,655,564*	–	17,689,998	–	31,345,562
– LTV between 80% and 99%	8,489,245	5,137	–	–	8,494,382
– LTV between 70% and 79%	30,316,616	30,593,659	–	–	60,910,275
– LTV between 60% and 69%	3,112,585	12,009,296	–	–	15,121,881
– LTV less than 60%	135,012,369	21,737,349	–	–	156,749,718
	190,586,379	64,345,441	17,689,998	–	272,621,818
Cash client receivables					
– Not past due	22,602,876	–	15,299	–	22,618,175
– Less than 30 days past due	17,375,877	–	–	–	17,375,877
– 30 days to 90 days past due	67,215	–	–	–	67,215
– More than 90 days past due	5,583,819	–	68	–	5,583,887
	45,629,787	–	15,367	–	45,645,154
	236,216,166	64,345,441	17,705,365	–	318,266,972

* The management of the Company considered all available material information and determined these exposures to be classified as stage 1.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

Maximum exposure and year-end staging *(Continued)*

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	Total HK$
Margin client receivables					
– LTV larger than 100%	–	–	6,164,581	–	6,164,581
– LTV between 80% and 99%	13,976,016*	–	–	–	13,976,016
– LTV between 70% and 79%	1,675,638	10,424,509	–	–	12,100,147
– LTV between 60% and 69%	23,048,820	–	–	–	23,048,820
– LTV less than 60%	123,230,003	15,641,816	–	–	138,871,819
	161,930,477	26,066,325	6,164,581	–	194,161,383
Cash client receivables					
– Not past due	16,349,757	–	159,269	–	16,509,026
– Less than 30 days past due	8,374,475	–	–	–	8,374,475
– 30 days to 90 days past due	38,025	–	–	–	38,025
– More than 90 days past due	6,695,625	–	–	–	6,695,625
	31,457,882	–	159,269	–	31,617,151
	193,388,359	26,066,325	6,323,850	–	225,778,534

* The management of the Company considered all available material information and determined these exposures to be classified as stage 1.

For other financial assets, the maximum exposure to credit risk arises from the carrying amount recognised and is stated in the consolidated statement of financial position. Except for the placing commission receivables, fee receivables and other receivables which are under the simplified approach, all financial assets are classified as stage 1 under the general approach.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

In order to mitigate the credit risk, the management of the Group has delegated a team responsible for compiling the credit and risk management policies, approving credit limits and determining any debt recovery action on those delinquent receivables. In addition, the Group holds collateral, which is valued on a daily basis for marketable securities, to cover its credit risk associated with its accounts receivable from margin clients as disclosed in note 21 to the financial statements, and reviews the recoverable amount of each individual account receivable at each reporting date to ensure that adequate allowance for impairment is made for irrecoverable amounts. The credit risk on liquid funds is also limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is effectively controlled and significantly reduced to an acceptable level.

Concentration risk of accounts receivable with credit risk exposure

At 31 December 2021, the Group had concentration of credit risk on accounts receivable, where 23% (2020: 17%) of the total accounts receivable were due from the five largest customers (excluding brokers) and 5% (2020: 3%) of the total accounts receivable were due from a broker. In the opinion of the Directors, the concentration of risk of accounts receivable is manageable.

(iii) Liquidity risk

As part of its ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses, brokers and clients. To address the risk, management is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with regulatory requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meets its liquidity requirements in the short and longer term.

As at 31 December 2021, the Group's available unutilised bank overdrafts and revolving loan facilities aggregated to approximately HK$168,000,000 (2020: HK$107,600,000).

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The tables below present the cash flows payable by the Group within the remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from the interest rate at the end of each financial year.

	Total carrying amount HK$	Total contractual undiscounted cash flow HK$	On demand or within one year HK$	Over one year HK$
31 December 2021				
Accounts payable	50,272,448	50,272,448	50,272,448	–
Other payables and accruals	5,984,800	5,984,800	5,984,800	–
Bank borrowings	205,154,000	205,278,900	205,278,900	–
Lease liabilities	4,179,597	4,179,597	2,433,528	1,746,069
Bonds issued	4,215,342	4,215,342	4,215,342	–
Total	269,806,187	269,931,087	268,185,018	1,746,069

	Total carrying amount HK$	Total contractual undiscounted cash flow HK$	On demand or within one year HK$	Over one year HK$
31 December 2020				
Accounts payable	137,966,671	137,966,671	137,966,671	–
Other payables and accruals	13,481,204	13,481,204	13,481,204	–
Bank borrowings	124,554,000	124,608,964	124,608,964	–
Lease liabilities	3,089,947	3,089,947	1,595,877	1,494,070
Bonds issued	4,015,342	4,015,342	–	4,015,342
Total	283,107,164	283,162,128	277,652,716	5,509,412

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Capital management

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

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

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

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

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

Fair value measurement for:	Fair value measurements categorised into (Level 1) HK$	(Level 2) HK$	(Level 3) HK$	Total HK$
31 December 2021				
– Financial assets at fair value through profit or loss	**9,657,234**	**3,897,213**	**–**	**13,554,447**
31 December 2020				
– Financial assets at fair value through profit or loss	7,936,350	3,713,966	577,720	12,228,036

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable input to fair value
Level 3	Discounted cash flow model	Discount rate of 31.60%	With 5% increase or decrease in discount rate, the fair value would be decreased by HK$41,482 or increased by HK$46,492

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

(ii) The movement in fair value measurements within Level 3 during the years ended 31 December 2021 and 2020 is as follows:

	HK$
Convertible bonds issued by a listed company in Hong Kong	
At 1 January 2020	–
Purchases	1,000,000
Fair value loss	(422,280)
As 31 December 2020 and 1 January 2021	577,720
Fair value loss	(577,720)
As 31 December 2021	–

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

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

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurement *(Continued)*

(iv) Fair value of bonds issued not measured at fair value

The following table sets out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	Carrying value HK$	Fair value HK$
31 December 2021		
Financial liabilities		
Bonds issued (note 29)	**4,215,342**	**4,130,544**
31 December 2020		
Financial liabilities		
Bonds issued (note 29)	4,015,342	4,095,908

The fair value of bonds issued has been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities.

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Fair value measurement for:	Fair value measurements categorised into (Level 1) HK$	(Level 2) HK$	(Level 3) HK$	Total HK$
31 December 2021				
– Bonds issued	**–**	**(4,130,544)**	**–**	**(4,130,544)**
31 December 2020				
– Bonds issued	–	(4,095,908)	–	(4,095,908)

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

			Related amounts not offset in the statement of financial position		
	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities offset in the statement of financial position HK$	Net amount of financial assets presented in the statement of financial position HK$	Cash collateral received HK$	Net amount HK$
As at 31 December 2021					
Account receivable due from a clearing house	**110,266,032**	**(86,848,359)**	**23,417,673**	**–**	**23,417,673**
As at 31 December 2020					
Account receivable due from a clearing house	188,723,147	(80,454,487)	108,268,660	–	108,268,660

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets offset in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not offset in the statement of financial position: Cash collateral pledged HK$	Net amount HK$
As at 31 December 2021					
Account payable due to a clearing house	**111,890,217**	**(86,848,359)**	**25,041,858**	**–**	**25,041,858**
As at 31 December 2020					
Account payable due to a clearing house	82,663,653	(80,454,487)	2,209,166	–	2,209,166

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$	2020 HK$
NON-CURRENT ASSET		
Investment in a subsidiary	386,175	386,175
Other assets	11,835	–
Total non-current assets	398,010	386,175
CURRENT ASSETS		
Prepayments and other receivables	258,886	228,946
Due from immediate holding company	–	193
Due from subsidiaries	46,311,347	45,412,607
Due from a related company	387,413	–
Bank balances	105,634	112,206
Total current assets	47,063,280	45,753,952
CURRENT LIABILITIES		
Other payables and accrual	223,000	168,621
Due to subsidiaries	10,906,336	984,907
Bonds issued	4,215,342	–
Total current liabilities	15,344,678	1,153,528
NET CURRENT ASSETS	31,718,602	44,600,424
TOTAL ASSETS LESS CURRENT LIABILITIES	32,116,612	44,986,599
NON-CURRENT LIABILITIES		
Bonds issued	–	4,015,342
Net assets	32,116,612	40,971,257
EQUITY		
Share capital	2,000,418	2,000,418
Share premium	53,724,765	53,724,765
Share option reserve	–	–
Shares held under share award scheme	(18,476,800)	(10,286,800)
Accumulated losses	(5,131,771)	(4,467,126)
TOTAL EQUITY	32,116,612	40,971,257

41. RESERVES OF THE COMPANY

A summary of the Company's reserves is as follows:

	Share premium HK$	Share option reserve HK$	Accumulated losses HK$	Shares held under the share award scheme HK$	Total HK$
At 1 January 2020	53,672,685	225,433	(3,587,885)	–	50,310,233
Profit and total comprehensive income for the year	–	–	4,686,070	–	4,686,070
Equity-settled share option arrangements	–	10,474	–	–	10,474
Issue of shares under share option scheme	52,080	(6,706)	6,706	–	52,080
Transfer of share option reserve upon the forfeiture or expiry of share options	–	(229,201)	229,201	–	–
Purchase of shares held under the share award scheme	–	–	–	(10,286,800)	(10,286,800)
Interim dividend	–	–	(2,600,546)	–	(2,600,546)
Final dividend	–	–	(3,200,672)	–	(3,200,672)
As at 31 December 2020 and 1 January 2021	53,724,765	–	(4,467,126)	(10,286,800)	38,970,839
Profit and total comprehensive income for the year	–	–	4,903,715	–	4,903,715
Purchase of shares held under the share award scheme	–	–	–	(8,190,000)	(8,190,000)
Interim dividend	–	–	(2,412,956)	–	(2,412,956)
Final dividend	–	–	(3,155,404)	–	(3,155,404)
As at 31 December 2021	53,724,765	–	(5,131,771)	(18,476,800)	30,116,194

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 17 March 2022.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
RESULTS	HK$	HK$	HK$	HK$	**HK$**
		(restated)			
Revenue	56,433,162	67,225,617	62,233,524	80,554,913	**102,177,754**
Profit before tax	21,228,647	9,433,612	9,376,643	26,633,452	**17,373,967**
Income tax (expense)/credit	(3,575,564)	(2,179,836)	38,013	(3,449,936)	**(2,322,068)**
Profit for the year	17,653,083	7,253,776	9,414,656	23,183,516	**15,051,899**
Profit for the year attributable to:					
Owners of the parent	17,653,083	7,253,776	9,414,656	23,183,516	**15,108,225**
Non-controlling interests	–	–	–	–	**(56,326)**
	17,653,083	7,253,776	9,414,656	23,183,516	**15,051,899**

	As at 31 December				
	2017	2018	2019	2020	**2021**
ASSETS AND LIABILITIES	HK$	HK$	HK$	HK$	**HK$**
		(restated)			
Total assets	411,329,283	364,454,338	310,349,409	501,673,931	**496,487,816**
Total liabilities	267,866,560	158,243,424	104,973,030	292,732,071	**280,544,464**
Net assets	143,462,723	206,210,914	205,376,379	208,941,860	**215,943,352**
Equity attributable to owners of the parent	143,462,723	260,210,914	205,376,379	208,941,860	**215,794,066**
Non-controlling interests	–	–	–	–	**149,286**
	143,462,723	260,210,914	205,376,379	208,941,860	**215,943,352**