



Victory Securities (Holdings) Company Limited

勝利證券(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8540)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

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

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

FINANCIAL HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the “**Group**”) are as follows:

| | For the year ended | | | |
|---|--------------------|----------|-------------|---------|
| | 31 December | | | |
| | 2022 | 2021 | Differences | Change |
| | HK\$'000 | HK\$'000 | HK\$'000 | % |
| Revenue | 77,107 | 102,178 | (25,071) | (24.5) |
| Commission expenses | 9,330 | 16,037 | (6,707) | (41.8) |
| Staff costs | 32,723 | 30,226 | 2,497 | 8.3 |
| Other operating expenses | 18,673 | 16,827 | 1,846 | 11.0 |
| (Loss)/profit for the year | (24,244) | 15,052 | (39,296) | (261.1) |
| Basic and diluted (loss)/earnings per share (<i>in HK cents</i>) | (13.02) | 8.08 | | |

Revenue for the year ended 31 December 2022 was approximately HK\$77.11 million, representing a decrease of approximately 24.5% as compared to the revenue of approximately HK\$102.18 million for the year ended 31 December 2021, reflecting the decrease in revenue mainly from securities/futures brokerage services, handling fee services, financing services, financial advisory services and insurance consultancy services, as a result of the unfavourable market atmosphere in year 2022 when compared to year 2021.

Loss for the year ended 31 December 2022 was approximately HK\$24.24 million, representing a decrease of approximately 261.1% as compared to the profit of approximately HK\$15.05 million for the year ended 31 December 2021 mainly due to decrease in revenue as mentioned above and increase in charge for allowance for expected credit losses (“**ECLs**”) on accounts receivable, net.

A final dividend of HK1.20 cents per share for the year ended 31 December 2022 (for the year ended 31 December 2021: HK1.60 cents) was recommended by the board of Directors (the “**Board**”) and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

The Board of the Group is pleased to present the consolidated results of the Group for the year ended 31 December 2022, together with the restated comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

| | <i>Notes</i> | 2022 HK\$ | 2021 HK\$ (Restated) |
|---|--------------|----------------------------|-----------------------------------|
| REVENUE | 5 | | |
| Revenue from contracts with customers | | 50,737,481 | 75,164,770 |
| Revenue from other sources | | 26,369,694 | 27,012,984 |
| | | 77,107,175 | 102,177,754 |
| Other income and gains/(losses), net | 6 | (2,550,299) | (3,286,119) |
| | | 74,556,876 | 98,891,635 |
| Commission expenses | | (9,330,294) | (16,037,283) |
| Depreciation and amortisation | | (5,421,589) | (4,737,391) |
| Staff costs | 7 | (32,722,967) | (30,225,901) |
| Other operating expenses | | (18,672,965) | (16,827,439) |
| Charge for allowance for expected credit losses on accounts receivable, net | | (23,699,287) | (6,665,286) |
| Share-based payment expenses | | (2,420,038) | – |
| Finance costs | 9 | (5,131,958) | (6,940,885) |
| Share of losses of: | | | |
| A joint venture | | (2,700,000) | – |
| Associates | | (766,988) | (83,483) |
| (LOSS)/PROFIT BEFORE TAX | 8 | (26,309,210) | 17,373,967 |
| Income tax credit/(expense) | 10 | 2,065,204 | (2,322,068) |
| (LOSS)/PROFIT FOR THE YEAR | | (24,244,006) | 15,051,899 |
| Attributable to: | | | |
| Owners of the parent | | (24,162,432) | 15,108,225 |
| Non-controlling interests | | (81,574) | (56,326) |
| | | (24,244,006) | 15,051,899 |
| (LOSS)/EARNINGS PER SHARE | | | |
| ATTRIBUTABLE TO ORDINARY | | | |
| EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (<i>in HK cents</i>) | 12 | (13.02) | 8.08 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|-----------------------------------|---------------------------------|
| (LOSS)/PROFIT FOR THE YEAR | <u>(24,244,006)</u> | <u>15,051,899</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (873,337) | 139,511 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Gain on revaluation of land and buildings held for own use | | |
| – gross gain | 651,127 | 6,404,434 |
| – income tax effect | <u>(107,435)</u> | <u>(1,056,732)</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX | <u>(329,645)</u> | <u>5,487,213</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | <u><u>(24,573,651)</u></u> | <u><u>20,539,112</u></u> |
| Attributable to: | | |
| Owners of the parent | (24,474,343) | 20,610,566 |
| Non-controlling interests | <u>(99,308)</u> | <u>(71,454)</u> |
| | <u><u>(24,573,651)</u></u> | <u><u>20,539,112</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|--------------|----------------------------|---------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 55,644,764 | 58,450,678 |
| Investment property | | 10,400,000 | 10,900,000 |
| Intangible assets | | 266,081 | 221,552 |
| Investments in a joint venture | | 60 | – |
| Investments in associates | | 1,624,619 | 2,040,875 |
| Financial assets at fair value through profit or loss | | 4,051,692 | 3,897,213 |
| Deferred tax assets | | 2,252,687 | 59,628 |
| Other assets | | 553,944 | 661,835 |
| Total non-current assets | | 74,793,847 | 76,231,781 |
| CURRENT ASSETS | | | |
| Accounts receivable | 14 | 238,928,362 | 380,078,131 |
| Prepayments and other receivables | | 10,951,909 | 8,520,801 |
| Financial assets at fair value through profit or loss | | 8,454,929 | 9,657,234 |
| Tax recoverable | | 875,711 | 127,443 |
| Pledged deposits | | 4,041,942 | 4,000,000 |
| Cash and cash equivalents | | 27,373,963 | 17,932,054 |
| Total current assets | | 290,626,816 | 420,315,663 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 15 | 20,082,232 | 50,272,448 |
| Other payables and accruals | | 10,071,303 | 5,984,800 |
| Interest-bearing bank and other borrowings | | 127,654,000 | 205,154,000 |
| Lease liabilities | 13(b) | 1,681,401 | 2,433,528 |
| Provisions and other financial liabilities | | 4,791,095 | 2,660,496 |
| Bonds issued | | – | 4,215,342 |
| Total current liabilities | | 164,280,031 | 270,720,614 |
| NET CURRENT ASSETS | | 126,346,785 | 149,595,049 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 201,140,632 | 225,826,830 |

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|--------------|----------------------------|---------------------|
| NON-CURRENT LIABILITIES | | | |
| Bonds issued | | 2,573,287 | – |
| Lease liabilities | 13(b) | 1,248,175 | 1,746,069 |
| Deferred tax liabilities | | 8,355,343 | 8,137,409 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 12,176,805 | 9,883,478 |
| | | <hr/> | <hr/> |
| Net assets | | 188,963,827 | 215,943,352 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 16 | 2,000,418 | 2,000,418 |
| Other reserves | | 186,913,431 | 213,793,648 |
| | | <hr/> | <hr/> |
| | | 188,913,849 | 215,794,066 |
| Non-controlling interests | | 49,978 | 149,286 |
| | | <hr/> | <hr/> |
| Total equity | | 188,963,827 | 215,943,352 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at Third 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). The subsidiary is also a participant of the Stock Exchange.

Another subsidiary is a licensed corporation under the SFO to carry out business of advising on corporate finance (Type 6), under the condition that (i) it shall not hold client assets; (ii) shall only provide services to professional investors as defined in the SFO; and (iii) shall not act as a sponsor in respect of an application for the listing on a recognised stock market of any securities.

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

As at the end of the year, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out 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 |
| 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\$5,000,000 | – | 100% | Provision of financial advisory services |
| 深圳市勝利私募證券投資 基金管理有限公司* | 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 |

* 廣州市勝利私募證券投資基金管理有限公司 changed its name to 深圳市勝利私募證券投資基金管理有限公司 and relocated its office from Guangzhou to Shenzhen on 22 December 2021.

** 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 Group for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018–2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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* (the “**Conceptual Framework**”) 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| Amendments to HKFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ² |
| HKFRS 17 | <i>Insurance Contracts</i> ¹ |
| Amendments to HKFRS 17 | <i>Insurance Contracts</i> ^{1, 5} |
| Amendment to HKFRS 17 | <i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶ |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4} |
| Amendments to HKAS 1 | <i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> ¹ |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> ¹ |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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 HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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.

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.

Estimation uncertainty

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

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

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

(b) *Provision for 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 2022, allowance for ECLs of HK\$31,999,493 (2021: HK\$8,300,206) has been made against margin client and cash client receivables. Further details are set out in note 14(f) to this announcement. No ECLs allowances have been provided for financial assets other than the margin client and cash client receivables as the related ECLs allowances were immaterial.

(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).

(d) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2022 was HK\$2,221,382 (2021: Nil). There were no unrecognised tax losses as at 31 December 2022 (2021: Nil).

4. OPERATING SEGMENT INFORMATION

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

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

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

Year ended 31 December 2022

| | 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) | 42,804,397 | 27,005,131 | 6,695,524 | 602,123 | – | 77,107,175 |
| Segment results | 21,353,651 | (1,728,541) | 2,688,368 | (495,278) | (2,057,287) | 19,760,913 |
| <i>Reconciliation:</i> | | | | | | |
| Other income and gains/ (losses), net | | | | | | (2,550,299) |
| Corporate and other unallocated expenses | | | | | | (43,519,824) |
| Loss before tax | | | | | | (26,309,210) |
| Other segment information: | | | | | | |
| Interest income from clients | – | 27,005,131 | – | – | – | 27,005,131 |
| Finance costs (other than interest on lease liabilities) | – | (5,034,384) | – | – | – | (5,034,384) |
| Commission expenses | (8,928,840) | – | – | (401,454) | – | (9,330,294) |
| Charge for allowance for ECLs on accounts receivable, net | – | (23,699,287) | – | – | – | (23,699,287) |

The depreciation and amortisation for the year ended 31 December 2022 of HK\$5,246,118 (2021: HK\$4,458,588) and HK\$175,471 (2021: HK\$278,803), respectively, are included in the unallocated expenses.

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 |
| <i>Reconciliation:</i> | | | | | | |
| Other income and gains/ (losses), net | | | | | | (3,286,119) |
| Corporate and other unallocated expenses | | | | | | <u>(33,407,127)</u> |
| Profit before tax | | | | | | <u><u>17,373,967</u></u> |
| Other segment information: | | | | | | |
| Interest income from clients | <u>–</u> | <u>34,092,545</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>34,092,545</u> |
| Finance costs (other than interest on lease liabilities) | <u>–</u> | <u>(6,879,345)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(6,879,345)</u> |
| Commission expenses | <u>(15,571,954)</u> | <u>–</u> | <u>–</u> | <u>(465,329)</u> | <u>–</u> | <u>(16,037,283)</u> |
| Charge for allowance for ECLs on accounts receivable, net | <u>–</u> | <u>(6,665,286)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(6,665,286)</u> |

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. During the year ended 31 December 2022, revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

| | 2022 HK\$ |
|------------|----------------------------|
| Customer A | <u><u>8,799,964</u></u> |

5. REVENUE

An analysis of revenue is as follows:

| | 2022 HK\$ | 2021 HK\$ (Restated) |
|--|----------------------------|-----------------------------------|
| <i>Revenue from contracts with customers</i> | 50,737,481 | 75,164,770 |
| <i>Revenue from other sources</i> | | |
| Losses on derivative financial instruments | (2,692,995) | (7,993,603) |
| Interest income calculated using the effective interest method from: | | |
| – clients | 27,005,131 | 34,092,545 |
| – authorised institutions | 1,857,398 | 857,100 |
| – others | 200,160 | 56,942 |
| | <u>26,369,694</u> | <u>27,012,984</u> |
| Sub-total of revenue from other sources | | |
| | <u>26,369,694</u> | <u>27,012,984</u> |
| Total revenue | <u>77,107,175</u> | <u>102,177,754</u> |

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

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

| | 2022 HK\$ | 2021 HK\$ (Restated) |
|---|----------------------------|-----------------------------------|
| Commission and brokerage income | 25,357,629 | 57,923,922 |
| Placing and underwriting commission income | 10,385,783 | 1,466,062 |
| Income from advising on securities | 97,000 | – |
| Handling fee income | 4,721,427 | 8,208,751 |
| Asset management fee | 9,388,519 | 5,347,054 |
| Financial advisory fee | – | 971,200 |
| Service fee income from share option scheme | 185,000 | 360,000 |
| Insurance consultancy fee | 602,123 | 887,781 |
| | <u>50,737,481</u> | <u>75,164,770</u> |
| Total revenue from contracts with customers | | |
| | <u>50,737,481</u> | <u>75,164,770</u> |

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|---------------------------|---------------------------|
| Other income | | |
| Government grant* | 1,162,101 | 455,161 |
| Gross rental income | 464,000 | 480,000 |
| Sundry income | 290,500 | 318,889 |
| | <u>1,916,601</u> | <u>1,254,050</u> |
| Trading losses, net | | |
| Fair value losses on financial assets at fair value through profit or loss | (4,092,570) | (4,919,141) |
| Dividend income from financial assets at fair value through profit or loss | 136,350 | 178,972 |
| | <u>(3,956,220)</u> | <u>(4,740,169)</u> |
| Other (losses)/gains, net | | |
| Fair value (loss)/gain on investment property | (500,000) | 200,000 |
| Loss on disposal of items of property, plant and equipment | (10,680) | – |
| | <u>(510,680)</u> | <u>200,000</u> |
| | <u>(2,550,299)</u> | <u>(3,286,119)</u> |

* The government subsidy was granted under the Employment Support Scheme and the Financial Industry Recruitment Scheme for Tomorrow. There are no unfulfilled conditions or contingencies relating to these grants.

7. STAFF COSTS

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------|---------------------|
| Salaries, allowances and benefits in kind | 31,687,420 | 29,252,531 |
| Contributions to Mandatory Provident Fund and Occupational Retirement Schemes | 1,035,547 | 973,370 |
| | <u>32,722,967</u> | <u>30,225,901</u> |

8. (LOSS)/PROFIT BEFORE TAX

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

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|--------------|----------------------------|---------------------|
| Auditor's remuneration | | 844,665 | 790,000 |
| Amortisation | | 175,471 | 278,803 |
| Depreciation of property, plant and equipment | | 3,011,465 | 2,764,214 |
| Depreciation of right-of-use assets | 13(a) | 2,234,653 | 1,694,374 |
| Direct operating expenses arising from rental-earning investment property | | 9,791 | 9,291 |
| Exchange and clearing fee | | 1,076,822 | 1,466,550 |
| Foreign exchange differences, net | | 444,030 | (10,193) |
| Information service expenses | | 2,416,388 | 2,286,893 |
| Lease payments not included in the measurement of lease liabilities | 13(c) | 213,959 | 159,383 |
| Loss on disposal of items of property, plant and equipment | | 10,680 | – |
| Charge for allowance for ECLs on accounts receivable, net | 14 | 23,699,287 | 6,665,286 |
| Share-based payment expenses | | 2,420,038 | – |

9. FINANCE COSTS

An analysis of finance costs is as follows:

| | <i>Note</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|-------------|----------------------------|---------------------|
| Interest on bank loans, overdrafts and other loans | | 4,363,952 | 4,936,905 |
| Interest on bonds issued | | 257,945 | 200,000 |
| Interest on client payables with no fixed repayment terms | | 412,487 | 1,742,440 |
| Interest on lease liabilities | 13(b) | 97,574 | 61,540 |
| Total interest expense on financial liabilities not at fair value through profit or loss | | 5,131,958 | 6,940,885 |

10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------------|---------------------|
| Current tax: | | |
| Charge for the year | – | 2,226,346 |
| Underprovision/(overprovision) in prior years | <u>17,356</u> | <u>(8,790)</u> |
| | 17,356 | 2,217,556 |
| Deferred tax | <u>(2,082,560)</u> | <u>104,512</u> |
| Total tax (credit)/charge for the year | <u>(2,065,204)</u> | <u>2,322,068</u> |

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|----------------------------|---------------------|
| (Loss)/profit before tax | <u>(26,309,210)</u> | <u>17,373,967</u> |
| Tax at the statutory tax rate of 16.5% | (4,341,020) | 2,866,705 |
| Expenses not deductible for tax | 3,340,589 | 3,836,397 |
| Income not subject to tax | (1,654,182) | (4,221,019) |
| Profits and losses attributable to associates and joint venture | 572,053 | 13,775 |
| Underprovision/(overprovision) for profits tax in prior years | 17,356 | (8,790) |
| Tax relief of 8.25% on first HK\$2 million of assessable profits | – | (165,000) |
| Others | <u>–</u> | <u>–</u> |
| Tax (credit)/charge for the year with effective rate of 7.9% (2021: 13.4%) | <u>(2,065,204)</u> | <u>2,322,068</u> |

11. DIVIDENDS

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|--------------|-------------------------|-------------------------|
| Interim dividend | a | 2,000,420 | 2,600,546 |
| Less: Dividend for shares held under the Company's share award scheme | | <u>(144,300)</u> | <u>(187,590)</u> |
| | | <u>1,856,120</u> | <u>2,412,956</u> |
| Final dividend | b | 3,200,672 | 3,400,714 |
| Less: Dividend for shares held under the Company's share award scheme | | <u>(230,880)</u> | <u>(245,310)</u> |
| | | <u>2,969,792</u> | <u>3,155,404</u> |
| Dividends declared and paid | | 4,825,912 | 5,568,360 |
| Proposed final dividend | c | <u>2,400,504</u> | <u>3,200,672</u> |
| | | <u><u>7,226,416</u></u> | <u><u>8,769,032</u></u> |

- (a) At a meeting held on 4 August 2022, the Board declared an interim dividend of HK1.00 cents (2021: HK1.30 cent) per share for the six months ended 30 June 2022, which was paid on 9 September 2022.
- (b) The final dividend for the year ended 31 December 2021 was approved at the annual general meeting of the Company held on 26 May 2022 and paid on 22 June 2022.
- (c) A final dividend of HK1.20 cents (2021: HK1.60 cent) per share for the year ended 31 December 2022 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 185,612,000 (2021: 187,027,342) in issue during the year which is after deducting the number of ordinary shares purchased under the share award scheme.

(b) Diluted (loss)/earnings per share

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/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 (loss)/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.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

13. LEASES

The Group as a lessee

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

(a) Right-of-use assets

The carrying 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 2022 HK\$ | Office premises 2021 HK\$ |
|--|--|---------------------------------|
| As at 1 January | 4,074,148 | 3,017,738 |
| Additions | 1,404,362 | 2,744,244 |
| Depreciation charge | (2,234,653) | (1,694,374) |
| Revision of a lease term arising from a change in the period of a lease | (234,307) | – |
| Exchange realignment | (235,150) | 6,540 |
| As at 31 December | <u>2,774,400</u> | <u>4,074,148</u> |

(b) *Lease liabilities*

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------|---------------------|
| Carrying amount at 1 January | 4,179,597 | 3,089,947 |
| Additions | 1,404,362 | 2,744,244 |
| Accretion of interest recognised during the year | 97,574 | 61,540 |
| Payments | (2,263,792) | (1,722,746) |
| Revision of a lease term arising from a change in the period of a lease | (237,536) | – |
| Exchange realignment | (250,629) | 6,612 |
| | <u>2,929,576</u> | <u>4,179,597</u> |
| Carrying amount at 31 December | <u>2,929,576</u> | <u>4,179,597</u> |
| Analysed into: | | |
| Current portion | 1,681,401 | 2,433,528 |
| Non-current portion | 1,248,175 | 1,746,069 |
| | <u>1,681,401</u> | <u>2,433,528</u> |
| | <u>1,248,175</u> | <u>1,746,069</u> |

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|---------------------|---------------------|
| Interest on lease liabilities | 97,574 | 61,540 |
| Depreciation charge of right-of-use assets | 2,234,653 | 1,694,374 |
| Expense relating to short-term leases (included in other operating expenses) | 213,959 | 159,383 |
| | <u>2,546,186</u> | <u>1,915,297</u> |
| Total amount recognised in profit or loss | <u>2,546,186</u> | <u>1,915,297</u> |

The Group as a lessor

The Group leases its investment property 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\$464,000 (2021: HK\$480,000) as disclosed in note 6 to this announcement.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|-------------------------------------|---------------------|---------------------|
| Within one year | 279,032 | 424,032 |
| After one year but within two years | – | – |
| | <u>279,032</u> | <u>424,032</u> |

14. ACCOUNTS RECEIVABLE

| | <i>Notes</i> | 2022 HK\$ | 2021 <i>HK\$</i> |
|----------------------------|--------------|----------------------------|---------------------|
| Margin client receivables | a | 213,074,306 | 280,432,453 |
| Cash client receivables | b | 29,186,649 | 46,134,725 |
| | | 242,260,955 | 326,567,178 |
| Less: Allowance for ECLs | f | (31,999,493) | (8,300,206) |
| | | 210,261,462 | 318,266,972 |
| Clearing house receivables | c | 9,530,507 | 23,417,673 |
| Broker receivables | d | 16,182,085 | 37,010,623 |
| Fee receivables | e | 2,954,308 | 1,112,863 |
| Other receivables | e | – | 270,000 |
| | | 28,666,900 | 61,811,159 |
| Total accounts receivable | | 238,928,362 | 380,078,131 |

Notes:

(a) Margin client receivables

At 31 December 2022, the Group held securities (excluding bonds) with an aggregate fair value of HK\$968,038,197 (2021: HK\$1,203,942,482) and bonds with an aggregate fair value of HK\$20,731,500 (2021: HK\$14,183,339) 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 of the Company, 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 ECL of HK\$31,106,152 was made as at 31 December 2022 (2021: provision for ECL of HK\$7,754,310).

(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:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------|---------------------|
| Cash client receivables | | |
| Within 2 days | 20,892,271 | 22,861,391 |
| Past due | | |
| – Over 2 days but less than 1 month | 1,891,664 | 17,489,022 |
| – Over 1 month but less than 3 months | 1,855 | 67,962 |
| – Over 3 months but less than 12 months | 1,747,394 | 1,492,300 |
| – Over 1 year | 4,653,465 | 4,224,050 |
| | 29,186,649 | 46,134,725 |

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 ECL of HK\$703,617 was made as at 31 December 2022 (2021: provision for ECL of HK\$184,519).

(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:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|----------------------------|---------------------|---------------------|
| Clearing house receivables | | |
| Within 2 days | 9,530,507 | 23,417,673 |

As at 31 December 2022, included in receivables from clearing houses was a net receivable from HKSCC of HK\$9,530,507 (2021: HK\$23,417,673), with a legally enforceable right to set off the corresponding receivable and payable balances.

(d) Broker receivables

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

(e) Receivables from other major service lines

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:

| | 2022 | | | Total HK\$ |
|--|-----------------|-----------------|-------------------|-------------------|
| | Stage 1 HK\$ | Stage 2 HK\$ | Stage 3 HK\$ | |
| As at 1 January 2022 | 351,058 | 10,319 | 7,938,829 | 8,300,206 |
| Transfer to stage 1 | 30,996 | (6,138) | (24,858) | – |
| Transfer to stage 2 | (62,199) | 62,199 | – | – |
| Transfer to stage 3 | (36,683) | (1,024) | 37,707 | – |
| Change arising from transfer of stages | (5,102) | 7,301 | 4,102,687 | 4,104,886 |
| Other remeasurement of loss allowance | (158,034) | (2,969) | 19,755,404 | 19,594,401 |
| As at 31 December 2022 | <u>120,036</u> | <u>69,688</u> | <u>31,809,769</u> | <u>31,999,493</u> |
| Arising from: | | | | |
| Margin client receivables | 109,582 | 68,242 | 31,106,152 | 31,283,976 |
| Cash client receivables | <u>10,454</u> | <u>1,446</u> | <u>703,617</u> | <u>715,517</u> |
| | <u>120,036</u> | <u>69,688</u> | <u>31,809,769</u> | <u>31,999,493</u> |
| ECLs rate | | | | |
| Margin client receivables | 0.07% | 0.31% | 73.11% | 14.68% |
| Cash client receivables | <u>0.19%</u> | <u>0.01%</u> | <u>8.65%</u> | <u>2.45%</u> |
| | | | | |
| | | 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 | <u>87,421</u> | – | <u>1,897,709</u> | <u>1,985,130</u> |
| As at 31 December 2021 | <u>351,058</u> | <u>10,319</u> | <u>7,938,829</u> | <u>8,300,206</u> |
| Arising from: | | | | |
| Margin client receivables | 46,006 | 10,319 | 7,754,310 | 7,810,635 |
| Cash client receivables | <u>305,052</u> | – | <u>184,519</u> | <u>489,571</u> |
| | <u>351,058</u> | <u>10,319</u> | <u>7,938,829</u> | <u>8,300,206</u> |
| ECLs rate | | | | |
| Margin client receivables | 0.02% | 0.02% | 30.48% | 2.79% |
| Cash client receivables | <u>0.66%</u> | <u>N/A</u> | <u>92.31%</u> | <u>1.06%</u> |

Impairment under HKFRS 9 for the year ended 31 December 2022

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in ECLs allowances during 2022:

- Transfer of client receivables of HK\$15,705,843 from stage 1 to stage 3 and HK\$7,299,520 from stage 2 to stage 3, resulting in an increase in ECLs allowances of HK\$4,102,687.

As at 31 December 2022, the stage 3 gross margin client and cash client receivables amounted to HK\$50,674,740, of which HK\$33,910,053 are those customers holding suspended securities. For the remaining balance amounting to HK\$16,764,687, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$2,110,265.

Other than the margin client and cash client receivables, no ECLs allowances have been provided for accounts receivable as the related ECLs allowances were immaterial.

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 ECLs allowances 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 ECLs allowances 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 ECLs allowances have been provided for accounts receivable as the related ECLs allowances were immaterial.

15. ACCOUNTS PAYABLE

| | 2022 | 2021 |
|---------------------------------|-------------------------------|------------------------|
| | HK\$ | HK\$ |
| Margin and cash client payables | 14,748,813 | 17,978,910 |
| Due to clearing houses | 2,808,524 | 25,041,858 |
| Broker payables | 2,484,165 | 7,210,395 |
| Insurer payables | 40,730 | 41,285 |
| | <hr/> 20,082,232 <hr/> | <hr/> 50,272,448 <hr/> |

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

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

As at 31 December 2022, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$2,808,524 (2021: HK\$25,041,858) with a legally enforceable right to set off the corresponding receivable and payable balances.

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

16. SHARE CAPITAL

Shares

Authorised shares

As at 31 December 2022, the total number of authorised ordinary shares was 2,000,000,000 (2021: 2,000,000,000) with a par value of HK\$0.01 per share (2021: HK\$0.01 per share).

Issued and fully paid

| | 2022 | 2021 |
|---|------------------|-----------|
| | HK\$ | HK\$ |
| Issued and fully paid: | | |
| 200,042,000 (2021: 200,042,000) ordinary shares | 2,000,418 | 2,000,418 |

No movements in the Company's share capital were noted during the years ended 31 December 2022 and 2021.

17. COMPARATIVES

Certain comparatives to the financial statements have been restated to conform with current year's presentation within revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Update on business development

During the year ended 31 December 2022 and up to the date of this announcement, the Group has expanded its scope in the brokerage services and advising on securities services with details as follows:

(1) Engagement in virtual asset-related activities

On 10 October 2022, Victory Securities (HK), a wholly owned subsidiary of the Company, has received formal notification from the Hong Kong Securities and Futures Commission (the “SFC”) about the approval on the application for engagement in virtual asset-related (“VA-related”) activities, subject to compliance by Victory Securities (HK) with licensing conditions imposed on the license of Victory Securities (HK) by the SFC on 10 October 2022.

Specifically, Victory Securities (HK) proposed to (i) provide virtual asset dealing services under an omnibus account arrangement; (ii) provide virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of VA-related private funds to eligible clients; (iv) provide securities brokerage services to eligible clients with respect to VA-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) provide virtual asset advisory services (collectively referred to as the “VA-related Services”) following the “Joint circular on intermediaries’ virtual asset-related activities” issued by the SFC and the Hong Kong Monetary Authority on 28 January 2022.

Provision of the virtual asset dealing services in point (i) and (ii) above are upon the completion of certain account opening procedures and user acceptance testing at suitable virtual asset trading platform(s) which is/are licensed by the SFC under the SFO.

In view of the rapid development on virtual assets in recent years, the Board believes that the VA-related Services will enable the Group to provide more diversified services to its clients, which are in line with the strategy of the Group, and will have a positive impact on the future development of the Group by bringing in new sources of revenue as well as industry knowledge from expertise on virtual asset.

(2) *Grant of license to engage in asset management business in the People’s Republic of China*

On 14 December 2022, 深圳市勝利私募證券投資基金管理有限公司 (“**Victory Shenzhen**”), an indirect wholly owned subsidiary of the Company, has received formal notification from the Asset Management Association of China (中國證券投資基金業協會), that the license to engage in asset management business in the People’s Republic of China (the “**PRC**”) was granted on 14 December 2022. Under the licensing condition, Victory Shenzhen is allowed to manage private offered securities investment fund (私募證券投資基金) which is approved and registered by the Asset Management Association of China.

The grant of the asset management license in the PRC will enable the Group to expand the asset management business to the PRC and increase its revenue source on the asset management business, as well as to expand its customers base with more regional exposures and increase the Group’s reputation in the PRC. This will have a positive impact on the future development of the Group.

(3) *Acceptance of licensing application for operation of virtual asset trading platform submitted by an associate of the Group*

On 2 February 2023, the Securities and Futures Commission of Hong Kong has accepted the application submitted by Victory Fintech Company Limited (“**VFCL**”), an associate of the Group, for a license to carry on Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities in Hong Kong.

Introduction to business sectors

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

Brokerage services

The Group has engaged in brokerage services in Hong Kong over the last five decades. Notwithstanding intensified competition from new players, the Group managed to retain customer loyalty through delivering excellent service. Income from securities broking services is primarily derived from the provision of brokerage services to clients to trade securities listed on The Stock Exchange and eligible securities traded through the securities trading and clearing linked program developed by the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation. The Group also enables clients to trade securities listed on exchanges in Australia, Canada, Europe, Japan, Singapore, the United Kingdom, the United States (“US”) and B shares in the 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 33.8% and 57.5% of the total revenue for the years ended 31 December 2022 and 2021, 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 13.4% and 1.4% of the total revenue for the years ended 31 December 2022 and 2021, respectively. The Group provides all-rounded financial services to clients and aims to turn placing and underwriting services into one of the major income streams of the Group in the near future when the investment sentiment improves after the COVID-19 pandemic subsides.

Advising on securities services

The Group also provides services of advising on investment activities, which involve providing research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for approximately 0.1% and nil of the total revenue for the years ended 31 December 2022 and 2021, 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 9.0% and 9.3% of the total revenue for the years ended 31 December 2022 and 2021, 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 generates interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2022 and 2021, approximately 35.0% and 33.4% of the total revenue was derived from financing services, respectively.

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

(3) *Asset management services*

The Group offers asset management services on a discretionary basis to high net worth clients who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately 8.7% and -2.6% of the Group’s total revenue for the years ended 31 December 2022 and 2021, respectively.

The performance of this business segment was adversely affected by the market sentiment, especially since 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 nil and approximately 1.0% of the total revenue for the years ended 31 December 2022 and 2021, 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 year 2022. 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.

Due to the uncertainties in both regional and global economies in view of the war between Ukraine and Russia and the rise in commodity price such as oil, the capital market in Hong Kong has been adversely affected during the year 2022. The total turnover of the Hong Kong stock market decreased from approximately HK\$41,182.25 billion for the year ended 31 December 2021 to approximately HK\$30,727.19 billion for the year ended 31 December 2022, representing a decrease of approximately 25.4%. This decrease in trading turnover has a negative impact on the revenue of the Group during the year ended 31 December 2022.

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 2023 may still be affected by certain global and domestic factors, including the impact of COVID-19 and the commodity price movement. This has brought volatility and challenges to the global stock market due to adverse market and investment sentiment, but up to the date of this announcement, the foregoing had not had a material adverse impact on the Group. However, the medium to long term impact of COVID-19 on the Group's financial and operating performance depends on the recovery of the global financial markets, especially the markets in Hong Kong and PRC. 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 2022 and 2021 are summarized as below:

| | For the year ended | | Differences | Change |
|---|--------------------|----------------|-----------------|---------------|
| | 31 December | | | |
| | 2022 | 2021 | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | % |
| Securities/futures broking services, placing and underwriting services and advising on securities services | 42,804 | 68,873 | (26,069) | (37.9) |
| Financing services | 27,005 | 34,093 | (7,088) | (20.8) |
| Asset management services | 9,389 | 5,347 | 4,042 | 75.6 |
| Financial advisory services | – | 971 | (971) | (100.0) |
| Insurance brokerage services | 602 | 888 | (286) | (32.2) |
| Losses on derivative financial instruments | (2,693) | (7,994) | 5,301 | (66.3) |
| Total | <u>77,107</u> | <u>102,178</u> | <u>(25,071)</u> | <u>(24.5)</u> |

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

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2022 and 2021:

| | For the year ended | | Differences | Change |
|-----------------------------------|--------------------|---------------|-----------------|---------------|
| | 31 December | | | |
| | 2022 | 2021 | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | % |
| Brokerage services | 25,358 | 57,924 | (32,566) | (56.2) |
| Placing and underwriting services | 10,386 | 1,466 | 8,920 | 608.4 |
| Advising on securities services | 97 | – | 97 | N/A |
| Others | 6,963 | 9,483 | (2,520) | (26.6) |
| Total | <u>42,804</u> | <u>68,873</u> | <u>(26,069)</u> | <u>(37.9)</u> |

(a) *Securities/futures brokerage services*

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$25.36 million from the brokerage services, representing a decrease of approximately 56.2% as compared to the revenue of approximately HK\$57.92 million for the year ended 31 December 2021. This was mainly due to a decrease in brokerage income derived from the Hong Kong stock market, in which the total turnover of the Hong Kong stock market decreased from approximately HK\$41,182.25 billion for the year ended 31 December 2021 to approximately HK\$30,727.19 billion for the year ended 31 December 2022, representing a decrease of approximately 25.4%.

(b) *Placing and underwriting services*

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$10.39 million from the placing and underwriting services, representing an increase of approximately 608.4% as compared to the revenue of approximately HK\$1.47 million for the year ended 31 December 2021. This was mainly due to successful placement of IPO projects during the year ended 31 December 2022.

(c) *Advising on securities services*

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$0.10 million from advising on securities services, as compared to the revenue of nil for the year ended 31 December 2021. Revenue from this sector was derived from providing research reports and analysis and the amount increased mainly due to the increase in engagements when compared to the year ended 31 December 2021.

(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 2022, the Group recorded a revenue from other services of approximately HK\$6.96 million, representing a decrease of approximately 26.6% as compared to the revenue of approximately HK\$9.48 million for the year ended 31 December 2021. The decrease of revenue from such other services was mainly due to a decrease in handling fee income charged to clients for the subscription of shares from IPO.

(2) *Financing services*

For the year ended 31 December 2022, the Group recorded interest income of approximately HK\$27.01 million from financing services, representing a decrease of approximately 20.8% as compared to the revenue of approximately HK\$34.09 million for the year ended 31 December 2021. This was mainly due to the decrease in the overall margin loan to clients due to unfavourable market condition which investors tend to be more conservative.

(3) *Asset management services*

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$9.39 million from asset management services, representing an increase of approximately 75.6% as compared to the revenue of approximately HK\$5.35 million for the year ended 31 December 2021. This was mainly due to increase in revenue from new customers when compared to the year ended 31 December 2021. However, due to the adverse market conditions during year 2022, it resulted in losses on derivative financial instruments, in which the Group entered into loss protection discretionary account management agreements with customers for asset management services, of approximately HK\$2.69 million (for the year ended 31 December 2021: HK\$7.99 million).

(4) *Financial advisory services*

For the year ended 31 December 2022, the Group recorded revenue of nil from the financial advisory services, representing a decrease of 100.0% as compared to the revenue of approximately HK\$0.97 million for the year ended 31 December 2021. 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 2022, the Group recorded revenue of approximately HK\$0.60 million from insurance consultancy services, representing a decrease of approximately 32.2% as compared to the revenue of approximately HK\$0.89 million for the year ended 31 December 2021. 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\$2.55 million (losses) for the year ended 31 December 2022, representing a decrease of approximately 22.4% as compared to the amount of approximately HK\$3.29 million (losses) for the year ended 31 December 2021. Such decrease in losses was mainly due to decrease in fair value losses on financial assets at fair value through profit or loss of approximately HK\$0.83 million, as well as the increase in government subsidy of approximately HK\$0.71 million when compared to the year ended 31 December 2021.

Commission expenses

The following is the breakdown on commission expenses:

| | For the year ended 31 December | | | |
|--|-----------------------------------|----------------------|-----------------------|----------------------|
| | 2022 | 2021 | Differences | Change |
| | HK\$'000 | HK\$'000 | HK\$'000 | % |
| Commission for brokerage services | 8,929 | 15,572 | (6,643) | (42.7) |
| Commission for insurance consultancy services | 401 | 465 | (64) | (13.8) |
| Total | <u>9,330</u> | <u>16,037</u> | <u>(6,707)</u> | <u>(41.8)</u> |

Commission expenses for the year ended 31 December 2022 was approximately HK\$9.33 million, representing a decrease of approximately 41.8% as compared to the commission expenses of approximately HK\$16.04 million for the year ended 31 December 2021, which decreased in line with the decrease 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 70.8% (2021: 64.8%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2022 was approximately HK\$18.67 million, representing an increase of approximately 11.0% as compared to the other operating expenses of approximately HK\$16.83 million for the year ended 31 December 2021, mainly due to increase in legal, consultancy and professional fee of approximately HK\$3.10 million when compared to the year ended 31 December 2021.

(Loss)/profit for the year

Loss for the year ended 31 December 2022 was approximately HK\$24.24 million, representing a decrease of approximately 261.1% as compared to the profit of approximately HK\$15.05 million for the year ended 31 December 2021 mainly due to decrease in revenue as mentioned above and increase in charge for allowance for ECLs on accounts receivable, net.

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 2022, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash inflow position for the year ended 31 December 2022, in which net cash from operating activities amounted to approximately HK\$108.17 million (for the year ended 31 December 2021: net cash used in operating activities amounted to approximately HK\$61.18 million), which was due to decrease in margin and cash clients receivables as at 31 December 2022. As at 31 December 2022, aggregate of bank and cash balances of the Group amounted to approximately HK\$31.42 million (as at 31 December 2021: approximately HK\$21.93 million), which were substantially denominated in Renminbi and Hong Kong dollars (“HK\$”).

As at 31 December 2022, the Group’s current assets and current liabilities were approximately HK\$290.63 million (as at 31 December 2021: approximately HK\$420.32 million) and approximately HK\$164.28 million (as at 31 December 2021: approximately HK\$270.72 million), respectively. As at 31 December 2022, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.77 times (as at 31 December 2021: approximately 1.55 times).

As at 31 December 2022, the bank and other borrowings of the Group were approximately HK\$130.23 million (as at 31 December 2021: approximately HK\$209.37 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 2022 and 31 December 2021 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 2022 was approximately 35.6% (as at 31 December 2021: approximately 42.2%), decreased in the Group’s gearing ratio was mainly due to the decrease demand from margin financing client which in turns resulted in decrease in bank and other borrowings as at 31 December 2022.

The Group's investments are mainly financial assets at fair value through profit or loss. As at 31 December 2022, the market value of which were approximately HK\$8.45 million (as at 31 December 2021: approximately HK\$9.66 million) and are mainly equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2022 and 31 December 2021. As at 31 December 2022, total equity attributable to owners of the parent amounted to approximately HK\$188.91 million (as at 31 December 2021: approximately HK\$215.79 million).

PLEDGE OF ASSETS

As at 31 December 2022 and 31 December 2021, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$129.70 million and HK\$264.75 million, respectively, an unlisted investment held by the Group amounting to approximately HK\$4.05 million and HK\$3.90 million as at 31 December 2022 and 31 December 2021, respectively, a time deposit held by the Group amounting to approximately HK\$4.04 million and HK\$4.00 million as at 31 December 2022 and 31 December 2021, respectively, and leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to HK\$57.70 million and HK\$59.20 million as at 31 December 2022 and 31 December 2021, respectively.

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in HK\$, while the Group have assets and liabilities denominated in 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 13 to this announcement, the Group had no other commitments as at 31 December 2022 and 2021.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

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

Save as disclosed in the “Update on business development” as set out in the “Business Review” section of this announcement, there was no other material acquisition or disposal of subsidiaries and affiliated companies and significant investments held by the Group during the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 57 full-time employees (as at 31 December 2021: 59), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2022, the total employees’ cost (including directors’ emoluments and retirement benefit scheme contribution) was approximately HK\$32.72 million (for the year ended 31 December 2021: approximately HK\$30.23 million).

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

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

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommended the payment of a final dividend of HK1.20 cents per share for the year ended 31 December 2022 (for the year ended 31 December 2021: HK1.60 cents per share), amounting to approximately HK\$2,400,504 to those shareholders whose names appear on the register of members at the close of business on Thursday, 1 June 2023, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 25 May 2023 (“**2023 AGM**”). It is expected that the final dividend will be paid on or about Wednesday, 21 June 2023, if approved.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2023 AGM

The register of members of the Company will be closed from Friday, 19 May 2023 to Thursday, 25 May 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 18 May 2023.

To qualify the proposed final dividend

The register of members of the Company will also be closed from Friday, 2 June 2023 to Monday, 5 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 1 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance practices within the Group and complying with regulatory requirements, to securing and inspiring confidence of shareholders of the Company 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 2022, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

AUDIT COMMITTEE

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

The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2022.

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 2022.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the year ended 31 December 2022.

SCOPE OF WORK OF ERNST & YOUNG, CERTIFIED PUBLIC ACCOUNTANTS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2022 have been agreed by the Company’s auditors, Ernst & Young, Certified Public Accountants, in respect of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes for the year ended 31 December 2022. The work performed by Ernst & Young, Certified Public Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young, Certified Public Accountants on the preliminary announcement.

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

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.victorysec.com.hk). The annual report of the Group for the year ended 31 December 2022 containing all the information required by the GEM Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2022. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2022, which will be available in the websites of the Stock Exchange and the Company in around mid-March 2023.

APPRECIATION

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

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

Hong Kong, 9 March 2023

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

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