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 2021

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

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

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

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

The Board of the Company and its subsidiaries (collectively, the "**Group**") is pleased to present the consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$	2020 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**58,450,678**	52,882,103
Investment property		**10,900,000**	10,700,000
Intangible assets		**221,552**	340,355
Investments in associates		**2,040,875**	1,396,870
Financial assets at fair value through profit or loss		**3,897,213**	3,713,966
Other assets		**661,835**	763,978
Total non-current assets		**76,172,153**	69,797,272
CURRENT ASSETS			
Accounts receivable	14	**380,078,131**	384,821,689
Prepayments and other receivables		**8,520,801**	8,205,742
Financial assets at fair value through profit or loss		**9,657,234**	8,514,070
Tax recoverable		**127,443**	–
Pledged deposits		**4,000,000**	–
Cash and cash equivalents		**17,932,054**	30,335,158
Total current assets		**420,315,663**	431,876,659
CURRENT LIABILITIES			
Accounts payable	15	**50,272,448**	137,966,671
Other payables and accruals		**5,984,800**	13,481,204
Interest-bearing bank and other borrowings		**205,154,000**	124,554,000
Lease liabilities	13(b)	**2,433,528**	1,595,877
Tax payable		**–**	2,525,565
Provisions		**2,660,496**	182,805
Bonds issued		**4,215,342**	–
Total current liabilities		**270,720,614**	280,306,122
NET CURRENT ASSETS		**149,595,049**	151,570,537
TOTAL ASSETS LESS CURRENT LIABILITIES		**225,767,202**	221,367,809

	Notes	**2021**	2020
		HK$	*HK$*
NON-CURRENT LIABILITIES			
Bonds issued		**–**	4,015,342
Lease liabilities	13(b)	**1,746,069**	1,494,070
Deferred tax liabilities		**8,077,781**	6,916,537
Total non-current liabilities		**9,823,850**	12,425,949
Net assets		**215,943,352**	208,941,860
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**2,000,418**	2,000,418
Other reserves		**213,793,648**	206,941,442
		215,794,066	208,941,860
Non-controlling interests		**149,286**	–
Total equity		**215,943,352**	208,941,860

Notes:

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

In the opinion of the Directors 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 Direct	Indirect	Principal activities
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$2,500,000	–	100%	Provision of financial advisory services
廣州市盈泰穩健管理諮詢有限公司**	Shenzhen, People's Republic of China	RMB50,000,000	–	100%	Provision of asset management services
Victory Spectacular Fund SPC ***	Cayman Islands	US$0.01	–	100%	Inactive
Victory Asset Management Japan Limited****	Japan	JPY20,000,000	–	85%	Provision of asset management services
Victory Privilege Fund OFC*****	Hong Kong	HK$10	–	100%	Provision of asset management services

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

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

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

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which 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 expected credit losses ("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 loan-to-collateral value). The ECL allowance is calculated by applying a loss rate to each cash client receivable exposure. Loss rates for the internal credit rating are estimated by reference to the published default rates from international credit rating agencies, with adjustments to reflect the current conditions and forecasts of future economic conditions, as appropriate.

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

As at 31 December 2021, a credit loss allowance of HK$8,300,206 (2020: HK$1,634,920) has been made against margin client and cash client receivables. Further details are set out in note 14(f) to this announcement. No credit loss allowance has been provided for financial assets other than the margin client and cash client receivables as the related credit loss allowances were immaterial.

(c) Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Year ended 31 December 2021

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

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

Year ended 31 December 2020

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

Geographical information

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

Information about major customers

There was no customer from which the revenue amounted to over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020.

5. REVENUE

An analysis of revenue is as follows:

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

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

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

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

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

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

7. STAFF COSTS

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

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

8. PROFIT BEFORE TAX

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

	Notes	**2021** **HK$**	2020 *HK$*
Auditor's remuneration		**790,000**	860,000
Amortisation		**278,803**	434,360
Depreciation of property, plant and equipment		**2,764,214**	2,462,543
Depreciation of right-of-use assets	13(a)	**1,694,374**	669,386
Direct operating expenses arising from rental-earning investment property		**9,291**	8,791
Exchange and clearing fee		**1,466,550**	1,478,719
Foreign exchange differences, net		**(10,193)**	(497,992)
Information service expenses		**2,286,893**	2,256,506
Lease payments not included in the measurement of lease liabilities	13(c)	**159,383**	423,814
Charge for allowance for ECLs on accounts receivable, net	14	**6,665,286**	1,103,412
Share-based payment expenses		**–**	10,474

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	**2021** **HK$**	2020 *HK$*
Interest on bank loans, overdrafts and other loans		**4,936,905**	4,761,536
Interest on bonds issued		**200,000**	15,342
Interest on client payables with no fixed repayment terms		**1,742,440**	348,637
Interest on lease liabilities	13(b)	**61,540**	30,784
Total interest expense on financial liabilities not at fair value through profit or loss		**6,940,885**	5,156,299

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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

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

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

11. DIVIDENDS

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

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

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

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

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

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

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

(b) Lease liabilities

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

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

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

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

The Group as a lessor

The Group leases its investment property which is a one residential property in Hong Kong under an operating lease arrangement. The term of the lease also requires the tenant to pay security deposits. Rental income recognised by the Group during the year was HK$480,000 (2020: HK$326,500), details of which are included in note 6 to this announcement.

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

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

14. ACCOUNTS RECEIVABLE

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

Notes:

(a) Margin client receivables

At 31 December 2021, the Group held securities (excluding bonds) with an aggregate fair value of HK$1,203,942,482 (2020: HK$871,014,903) and bonds with an aggregate fair value of HK$14,183,339 (2020: HK$15,878,155) as collateral over net margin client receivables. All margin client receivables are repayable on demand and bear interest at commercial rates. The collateral held can be sold at the Group's discretion to settle any outstanding amount owned by margin clients.

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

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall and a provision for impairment losses of HK$7,754,310 was made as at 31 December 2021 (2020: provision for impairment losses of HK$1,209,451).

(b) Cash client receivables

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

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

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

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

(c) Clearing house receivables

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

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

As at 31 December 2021, included in receivables from clearing houses was a net receivable from Hong Kong Securities Clearing Company Limited ("**HKSCC**") of HK$23,417,673 (2020: HK$108,268,660), with a legally enforceable right to set off the corresponding receivable and payable balances.

(d) Broker receivables

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

(e) Receivables from other major service lines

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

(f) Allowance for ECLs

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

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 1 January 2020	261,955	60,906	208,647	531,508
Transfer to stage 1	63,692	(60,510)	(3,182)	–
Transfer to stage 2	(45,601)	45,601	–	–
Transfer to stage 3	(129)	(396)	525	–
Change arising from transfer of stages	(51,145)	(30,537)	1,129,807	1,048,125
Other remeasurement of loss allowance	33,631	–	21,656	55,287
As at 31 December 2020	262,403	15,064	1,357,453	1,634,920
Arising from:				
Margin client receivables	78,352	15,064	1,209,451	1,302,867
Cash client receivables	184,051	–	148,002	332,053
	262,403	15,064	1,357,453	1,634,920
ECLs rate				
Margin client receivables	0.05%	0.06%	16.40%	0.67%
Cash client receivables	0.58%	N/A	48.17%	1.04%

Impairment under HKFRS 9 for the year ended 31 December 2021

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in credit loss allowance during 2021:

- Transfer of client receivables of HK$9,221,480 from stage 1 to stage 3 and HK$13,168,724 from stage 2 to stage 3, resulting in an increase in credit loss allowance of HK$4,689,806; and

- Increase in margin client receivables and cash client receivables of HK$84,968,203 and HK$14,185,521, which included origination of new client receivables and new drawdown from existing clients.

As at 31 December 2021, the stage 3 gross margin client and cash client receivables amounted to HK$25,644,196, of which HK22,345,263 are those customers holding suspended securities. For the remaining balance amounting to HK$3,298,933, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK$20,374.

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

Impairment under HKFRS 9 for the year ended 31 December 2020

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

- Transfer of client receivables of HK$179,938 from stage 1 to stage 3 and HK$12,753,853 from stage 2 to stage 3, resulting in an increase of expected credit loss allowance of HK$1,129,807; and

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

For all stage 3 gross margin client and cash client receivables amounting to HK$7,681,303, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK$1,874,099.

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

15. ACCOUNTS PAYABLE

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

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

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

As at 31 December 2021, included in amounts payable to clearing houses was a net payable to HKSCC of HK$25,041,858 (2020: HK$2,209,166) with a legally enforceable right to set off the corresponding receivable and payable balances.

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

Issued and fully paid

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

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

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

Note:

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

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

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

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

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

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

Introduction to business sectors

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

Brokerage services

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

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

Revenue generated from securities/futures/insurance policies broking services accounted for approximately 57.5% and 48.7% of the total revenue for the years ended 31 December 2021 and 2020, respectively.

Placing and underwriting services

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

Revenue generated from placing and underwriting services accounted for approximately 1.4% and 7.6% of the total revenue for the years ended 31 December 2021 and 2020, respectively. The Group provides all-rounded financial services to clients and aims to turn placing and underwriting services into one of the major income streams of the Group in the near future when the investment sentiment improves after the COVID-19 pandemic subsides.

Advising on securities services

The Group also provides services of advising on investment activities, which involve providing research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for nil and approximately 0.1% of the total revenue for the years ended 31 December 2021 and 2020, respectively.

Others

The Group also derives (i) handling fee income arising from the services such as scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; and (ii) interest income from the deposits, which accounted for approximately 9.3% and 5.2% of the total revenue for the years ended 31 December 2021 and 2020, respectively.

(2) Financing services

The Group continued to solidify its customer base by enhancing its marketing capabilities and optimising loan service processes. Generally, the Group provides credit facilities to clients who wish to purchase securities on the Stock Exchange or make applications for initial public offering ("**IPO**") on a margin basis. The Group also provides trading facilities to clients and generate interest income from cash account clients on their overdue debit balance. For the years ended 31 December 2021 and 2020, approximately 33.4% and 27.1% of the total revenue was derived from financing services, respectively.

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

(3) Asset management services

The Group offers asset management services on a discretionary basis to high net worth clients who would like the Group to manage their portfolios on their behalf. The Group manages discretionary accounts and derives management fees and/or performance fees from the asset management services, which accounted for approximately -2.6% and 8.5% of the Group's total revenue for the years ended 31 December 2021 and 2020, respectively.

The performance of this business segment was adversely affected by the market sentiment, especially in the fourth quarter of year 2021. However, the Group is expanding its asset management services sector by setting up private funds in the PRC, Singapore and Japan. With enhanced research capabilities and experienced personnel and the revenue for this segment is expected to respond positively.

(4) Financial advisory services

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

The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services accounted for approximately 1.0% and 2.8% of the total revenue for the years ended 31 December 2021 and 2020, respectively.

(5) Investment consultancy services

Investment consultancy services aim to better cater to the needs of high net worth individuals, who have tremendous demand in wealth management services in order to better allocate their asset portfolio and diversify investment risks. These high net worth individuals look for quality wealth management services to realise their wealth management goals and demand wealth management services with tailored professional advice and a sophisticated asset allocation system to diversify their investment risk. The experienced and professional staff from the Group will be able to provide progressive, pragmatic and quality wealth management plans with regular analysis of market trends, along with flexible wealth management solutions to help clients to broaden their investment horizons.

OUTLOOK, PROSPECTS AND FUTURE PLANS

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

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

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

The Group will continue to play an active role in participating in other financial transactions in the market in order to further develop and strengthen its market position as an integrated financial services provider. Moreover, the Group has allocated more resources to its asset management segment to expand the scale of this segment and to attract funds from different sources through setting up a new subsidiary in PRC, and subscribing for 30% of the issued shares in a Singaporean incorporated asset management company during year 2020, and also setting up a new subsidiary in Fukuoka, Japan during January 2021. The Group will also seek business opportunities in this segment through acquisitions on a selective basis, and continue to explore potential opportunities in the financial advisory services segment, which much depends on the development of COVID-19 pandemic as the anti-epidemic measures on COVID-19 have caused much disruption to business activities related to this segment. The Group will continue to review and evaluate the business objectives and strategies and make timely execution by taking into account the relevant business risks and market uncertainties.

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

In general, Hong Kong's economic outlook in year 2022 may still be affected by certain global and domestic factors, including the impact of COVID-19. This has brought short-term volatility and challenges to the global stock market due to adverse market and investment sentiment, but up to the date of this announcement, the foregoing had not had a material adverse impact on the Group. However, the medium to long term impact of COVID-19 on the Group's financial and operating performance depends on the duration of the pandemic, which much depends on the effects of the prevention and control measures implemented by the relevant authorities to stop the spread of the virus and the effectiveness of the COVID-19 vaccines. The Company will closely monitor the situation and assess its impact on the Group's financial position and operating results.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2021 and 2020 are summarized as below:

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

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

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

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

(a) *Securities/futures brokerage services*

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

(b) *Placing and underwriting services*

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$1.47 million from the placing and underwriting services, representing a decrease of approximately 75.9% as compared to the revenue of approximately HK$6.08 million for the year ended 31 December 2020. This was mainly due to the decrease in corporate exercises due to the unforeseeable circumstances as a result of the COVID-19.

(c) *Advising on securities services*

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

(d) *Others*

Other services mainly represented (i) handling fee income arising from the services such as IPO subscription, scrip handling services, settlement services, account servicing, corporate-action-related services and certain other miscellaneous services; (ii) interest income from deposits; and (iii) employees' share option scheme income. For the year ended 31 December 2021, the Group recorded a revenue from other services of approximately HK$9.48 million, representing an increase of approximately 121.9% as compared to the revenue of approximately HK$4.27 million for the year ended 31 December 2020. The increase of revenue from such other services was mainly due to an increase in handling fee income charged to clients for the subscription of shares from IPO.

(2) Financing services

For the year ended 31 December 2021, the Group recorded interest income of approximately HK$34.09 million from financing services, representing an increase of approximately 56.0% as compared to the revenue of approximately HK$21.85 million for the year ended 31 December 2020. This was mainly due to the increase in the overall margin loan to clients. This represented a keen demand for financing from clients and the Group has been able to cater to the demand from clients with a stronger financing capacity.

(3) Asset management services

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

(4) Financial advisory services

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

(5) Insurance consultancy services

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$0.89 million from insurance consultancy services, representing a decrease of approximately 27.0% as compared to the revenue of approximately HK$1.22 million for the year ended 31 December 2020. Approximately 95% of the Group's insurance consultancy services revenue is generated from long-term insurance plans and the decrease in revenue was mainly due to the decrease in premium size per client.

Other income and gains/(losses), net

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

Commission expenses

The following is the breakdown on commission expenses:

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

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

Other operating expenses

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

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

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

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

Profit for the year attributable to owners of the parent

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

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

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

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

(iv) increase in finance costs where approximately HK$6.94 million was recorded for the year ended 31 December 2021, when compared to finance costs of approximately HK5.16 million for the year ended 31 December 2020, which is in line with the increase in interest income from financing services.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

During the year ended 31 December 2021, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash outflow position for the year ended 31 December 2021, in which net cash used in operating activities amounted to approximately HK$61.18 million (for the year ended 31 December 2020: net cash used in operating activities amounted to approximately HK$24.57 million), which was due to decrease in margin and cash clients payables as at 31 December 2021. As at 31 December 2021, aggregate of bank and cash balances of the Group amounted to approximately HK$21.93 million (as at 31 December 2020: approximately HK$30.34 million), which were substantially denominated in Renminbi.

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

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

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

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

Use of Proceeds from Share Offer

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

PLEDGE OF ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 13 to this announcement, the Group had no other commitments as at 31 December 2021 and 2020.

CONTINGENT LIABILITIES

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

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

Save as disclosed in 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 2021.

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 2021, the Group had 59 full-time employees (as at 31 December 2020: 53), including all executive and non-executive directors but excluding independent non-executive Directors. During the year ended 31 December 2021, the total employees' cost (including Directors' emoluments and retirement benefit scheme contribution) was approximately HK$30.23 million (for the year ended 31 December 2020: approximately HK$27.10 million).

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

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

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2022 AGM

The register of members of the Company will be closed from Friday, 20 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 19 May 2022.

To qualify the proposed final dividend

The register of members of the Company will also be closed from Wednesday, 1 June 2022 to Monday, 6 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May 2022.

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2021, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

AUDIT COMMITTEE

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

The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealings**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealings during the year ended 31 December 2021.

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

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

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 2021.

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 2021 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 2021. 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 2021 containing all the information required by the GEM Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 17 March 2022

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

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