



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 2023**

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

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

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

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

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

FINANCIAL HIGHLIGHTS

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

	For the year ended			
	31 December			
	2023	2022	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	%
Revenue	54,966	77,107	(22,141)	(28.7)
Commission expenses	4,688	9,330	(4,642)	(49.8)
Staff costs	31,228	32,723	(1,495)	(4.6)
Other operating expenses	28,140	18,673	9,467	50.7
Loss for the year	(25,080)	(24,244)	(836)	3.4
Basic and diluted loss per share (in HK cents)	(13.45)	(13.02)		

Revenue for the year ended 31 December 2023 was HK\$54.97 million, representing a decrease of approximately 28.7% as compared to the revenue of approximately HK\$77.11 million for the year ended 31 December 2022, reflecting the decrease in revenue mainly from securities/futures brokerage services, handling fee services and financing services, as a result of the unfavourable market atmosphere and the decrease in transactions made by clients during year 2023 when compared to the corresponding period in year 2022.

Loss for the year ended 31 December 2023 was approximately HK\$25.08 million, representing an increase of approximately 3.4% as compared to the loss of approximately HK\$24.24 million for the year ended 31 December 2022 mainly due to decrease in revenue as mentioned above and increase in certain one-off expenses such as discretionary payments to certain asset management clients and marketing expenses.

A final dividend of HK0.50 cents per share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK1.20 cents) was recommended by the board of Directors (the “**Board**”) and payable subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

The Board of the Group is pleased to present the consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
REVENUE	5		
Revenue from contracts with customers		29,255,693	50,737,481
Revenue from other sources		25,710,391	26,369,694
		<u>54,966,084</u>	<u>77,107,175</u>
Other income and gains/(losses), net	6	1,340,462	(2,550,299)
		<u>56,306,546</u>	<u>74,556,876</u>
Commission expenses		(4,687,531)	(9,330,294)
Depreciation and amortisation		(5,222,799)	(5,421,589)
Staff costs	7	(31,227,932)	(32,722,967)
Other operating expenses		(28,139,915)	(18,672,965)
Charge for allowance for expected credit losses on accounts receivable, net		(8,805,879)	(23,699,287)
Share-based payment expenses		(921,890)	(2,420,038)
Finance costs	9	(6,471,128)	(5,131,958)
Share of losses of:			
A joint venture		(60)	(2,700,000)
Associates		(201,649)	(766,988)
		<u>(8,805,879)</u>	<u>(23,699,287)</u>
LOSS BEFORE TAX	8	(29,372,237)	(26,309,210)
Income tax credit	10	4,292,563	2,065,204
		<u>(25,079,674)</u>	<u>(24,244,006)</u>
LOSS FOR THE YEAR		<u>(25,079,674)</u>	<u>(24,244,006)</u>
Attributable to:			
Owners of the parent		(24,969,812)	(24,162,432)
Non-controlling interests		(109,862)	(81,574)
		<u>(25,079,674)</u>	<u>(24,244,006)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>in HK cents</i>)	12	(13.45)	(13.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
LOSS FOR THE YEAR	<u>(25,079,674)</u>	<u>(24,244,006)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(159,301)	(873,337)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of land and buildings held for own use		
– gross gain	1,548,755	651,127
– income tax effect	<u>(255,545)</u>	<u>(107,435)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>1,133,909</u>	<u>(329,645)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(23,945,765)</u></u>	<u><u>(24,573,651)</u></u>
Attributable to:		
Owners of the parent	(23,821,714)	(24,474,343)
Non-controlling interests	<u>(124,051)</u>	<u>(99,308)</u>
	<u><u>(23,945,765)</u></u>	<u><u>(24,573,651)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment		53,769,351	55,644,764
Investment property		9,081,600	10,400,000
Intangible assets		272,765	266,081
Investments in a joint venture		–	60
Investments in associates		2,047,879	1,624,619
Financial assets at fair value through profit or loss		4,224,048	4,051,692
Deferred tax assets		–	2,252,687
Other assets		475,000	553,944
Total non-current assets		69,870,643	74,793,847
CURRENT ASSETS			
Accounts receivable	14	189,743,326	238,928,362
Prepayments and other receivables		10,702,380	10,951,909
Financial assets at fair value through profit or loss		5,888,966	8,454,929
Tax recoverable		875,711	875,711
Pledged deposits		4,213,523	4,041,942
Cash and cash equivalents		19,459,659	27,373,963
Total current assets		230,883,565	290,626,816
CURRENT LIABILITIES			
Accounts payable	15	29,814,755	20,082,232
Other payables and accruals		5,052,014	10,071,303
Interest-bearing bank and other borrowings		92,798,487	127,654,000
Lease liabilities	13(b)	1,912,275	1,681,401
Provisions and other financial liabilities		4,523,385	4,791,095
Bonds issued		1,079,235	–
Total current liabilities		135,180,151	164,280,031
NET CURRENT ASSETS		95,703,414	126,346,785
TOTAL ASSETS LESS CURRENT LIABILITIES		165,574,057	201,140,632

	<i>Notes</i>	2023 HK\$	2022 <i>HK\$</i>
NON-CURRENT LIABILITIES			
Bonds issued		–	2,573,287
Lease liabilities	13(b)	405,479	1,248,175
Deferred tax liabilities		2,065,638	8,355,343
		<hr/>	<hr/>
Total non-current liabilities		2,471,117	12,176,805
		<hr/>	<hr/>
Net assets		163,102,940	188,963,827
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	2,003,658	2,000,418
Other reserves		161,001,773	186,913,431
		<hr/>	<hr/>
		163,005,431	188,913,849
Non-controlling interests		97,509	49,978
		<hr/>	<hr/>
Total equity		163,102,940	188,963,827
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 22 August 2016. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350 Grand Cayman, KY1-1108, 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 subsidiary is a licensed corporation under the Hong Kong Securities and Futures Ordinance (the "SFO") to carry out business of dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4) and asset management (Type 9). The subsidiary is also a participant of the Stock Exchange.

The Securities and Futures Commission of Hong Kong ("SFC") has agreed to the provision of (i) virtual asset dealing services under an omnibus account arrangement; (ii) virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of virtual asset-related private funds to eligible clients; (iv) securities brokerage services to eligible clients with respect to virtual asset-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) virtual asset advisory services by one of the subsidiaries of the Company, with licensing conditions imposed on the license of the subsidiary by the SFC on 10 October 2022.

The subsidiary has also secured consent from the SFC to manage portfolios that invest in virtual assets, subject to compliance with the SFC's "Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets" on 21 March 2023.

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

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

As at the end of the year, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Victory Securities Holding Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	–	Investment holding
Victory Securities Company Limited ("Victory Securities (HK)")	Hong Kong	HK\$145,000,000	–	100%	Securities/futures broking and placing and underwriting services, advising on securities services, financing services, asset management services and investment consultancy services
Victory Insurance Consultants Limited	Hong Kong	HK\$1,000,000	–	100%	Provision of insurance consultancy services
Victory Premier SPC	Cayman Islands	US\$50,000	–	100%	Inactive
VSAM Company Limited	Hong Kong	HK\$1,000,000	–	100%	Inactive
VS Capital Limited	Hong Kong	HK\$8,000,000 (2022: HK\$5,000,000)	–	100%	Provision of financial advisory services
深圳市勝利私募證券投資 基金管理有限公司	Shenzhen, People's Republic of China	RMB50,000,000	–	100%	Provision of asset management services
Victory Spectacular Fund SPC	Cayman Islands	US\$0.01	–	100%	Inactive
Victory Asset Management Japan Limited	Japan	JPY50,000,000 (2022: JPY20,000,000)	–	89.5% (2022: 85%)	Provision of asset management services
Victory Privilege Fund OFC	Hong Kong	HK\$10	–	100%	Provision of asset management services

2. ACCOUNTING POLICIES

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**”) 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 and liabilities 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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognizes the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Group's financial statements.

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. However, the amendments are available for adoption now.

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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 to the Group and the value of the underlying stock collateral). The forecast of potential shortfall takes into account expected future collateral prices (estimated based on observed historical stock price volatilities adjusted to reflect current conditions and forecasts of future economic conditions) and failure to meet margin call requirements given the contractual termination periods.

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

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

As at 31 December 2023, allowance for ECLs of HK\$40,805,372 (2022: HK\$31,999,493) has been made against margin client and cash client receivables. Further details are set out in note 14(f) to this announcement. No ECLs allowances have been provided for financial assets other than the margin client and cash client receivables as the related ECLs allowances were immaterial.

(c) *Leases – Estimating the incremental borrowing rate*

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

4. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss 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 2023

	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)	25,865,466	19,859,883	7,258,933	1,776,481	205,321	54,966,084
Segment results	11,510,113	4,702,845	(6,026,306)	231,676	(2,239,591)	8,178,737
<i>Reconciliation:</i>						
Other income and gains/ (losses), net						1,340,462
Corporate and other unallocated expenses						<u>(38,891,436)</u>
Loss before tax						<u><u>(29,372,237)</u></u>
Other segment information:						
Interest income from clients	<u>–</u>	<u>19,859,883</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,859,883</u>
Finance costs (other than interest on lease liabilities)	<u>–</u>	<u>(6,351,159)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,351,159)</u>
Commission expenses	<u>(3,440,461)</u>	<u>–</u>	<u>–</u>	<u>(1,247,070)</u>	<u>–</u>	<u>(4,687,531)</u>
Charge for allowance for ECLs on accounts receivable, net	<u>–</u>	<u>(8,805,879)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(8,805,879)</u>

The depreciation and amortisation for the year ended 31 December 2023 of HK\$5,009,483 (2022: HK\$5,246,118) and HK\$213,316 (2022: HK\$175,471), respectively, are included in the unallocated expenses.

Year ended 31 December 2022

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

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 2023. During the year ended 31 December 2022, revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

	2022 HK\$
Customer A	8,799,964

5. REVENUE

An analysis of revenue is as follows:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
<i>Revenue from contracts with customers</i>	29,255,693	50,737,481
<i>Revenue from other sources</i>		
Losses on derivative financial instruments	(201,419)	(2,692,995)
Interest income calculated using the effective interest method from:		
– clients	19,859,883	27,005,131
– authorised institutions	5,705,910	1,857,398
– others	346,017	200,160
	<hr/>	<hr/>
Sub-total of revenue from other sources	25,710,391	26,369,694
	<hr/>	<hr/>
Total revenue	54,966,084	77,107,175
	<hr/> <hr/>	<hr/> <hr/>

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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Commission and brokerage income	13,972,638	25,357,629
Placing and underwriting commission income	1,581,786	10,385,783
Income from advising on securities	837,000	97,000
Handling fee income	3,422,115	4,721,427
Asset management fee	7,460,352	9,388,519
Financial advisory fee	205,321	–
Service fee income from arrangement on share option scheme	–	185,000
Insurance consultancy fee	1,776,481	602,123
	<hr/>	<hr/>
Total revenue from contracts with customers	29,255,693	50,737,481
	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31 December 2023, revenue recognised at the point in time and over time are HK\$21,795,341 (2022: HK\$41,163,962) and HK\$7,460,352 (2022: HK\$9,573,519) respectively.

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Other income		
Government grant*	1,700,454	1,162,101
Gross rental income	474,000	464,000
Sundry income	336,334	290,500
	<u>2,510,788</u>	<u>1,916,601</u>
Trading gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss	17,265	(4,092,570)
Dividend income from financial assets at fair value through profit or loss	130,809	136,350
	<u>148,074</u>	<u>(3,956,220)</u>
Other losses, net		
Fair value loss on investment property	(1,318,400)	(500,000)
Loss on disposal of items of property, plant and equipment	–	(10,680)
	<u>(1,318,400)</u>	<u>(510,680)</u>
	<u><u>1,340,462</u></u>	<u><u>(2,550,299)</u></u>

* During the year 2023, the government subsidy was granted under the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone for supporting financial industry development in Qianhai. There are no unfulfilled conditions or contingencies relating to these grants.

During the year 2022, the government subsidy was granted under the Employment Support Scheme and the Financial Industry Recruitment Scheme for Tomorrow. There are no unfulfilled conditions or contingencies relating to these grants.

7. STAFF COSTS

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Salaries, allowances and benefits in kind	30,217,238	31,687,420
Contributions to Mandatory Provident Fund and Occupational Retirement Schemes	1,010,694	1,035,547
	<u>31,227,932</u>	<u>32,722,967</u>

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	<i>Notes</i>	2023 HK\$	2022 <i>HK\$</i>
Auditor's remuneration		1,122,358	844,665
Amortisation		213,316	175,471
Depreciation of property, plant and equipment		3,019,597	3,011,465
Depreciation of right-of-use assets	13(a)	1,989,886	2,234,653
Direct operating expenses arising from rental-earning investment property		9,331	9,791
Exchange and clearing fee		903,824	1,076,822
Foreign exchange differences, net		52,216	444,030
Information service expenses		2,263,958	2,416,388
Lease payments not included in the measurement of lease liabilities	13(c)	203,494	213,959
Loss on disposal of items of property, plant and equipment		–	10,680
Charge for allowance for ECLs on accounts receivable, net	14	8,805,879	23,699,287
Share-based payment expenses		921,890	2,420,038
Discretionary payments*		6,907,424	–
		<u>6,907,424</u>	<u>–</u>

* During the year 2023, the Group made discretionary payments at a total amount of HK\$6.91 million to certain unitholders of a fund managed by the Group. The payment is discretionary in nature made with reference to the fund's performance as approved by the Group management and was paid to the unitholders via the trustee, which is a related party of the Group.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	<i>Note</i>	2023 HK\$	2022 <i>HK\$</i>
Interest on bank loans, overdrafts and other loans		5,722,412	4,363,952
Interest on bonds issued		86,084	257,945
Interest on client payables with no fixed repayment terms		542,663	412,487
Interest on lease liabilities	13(b)	119,969	97,574
Total interest expenses on financial liabilities not at fair value through profit or loss		<u>6,471,128</u>	<u>5,131,958</u>

10. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Current tax:		
Underprovision in prior years	–	17,356
Deferred tax	<u>(4,292,563)</u>	<u>(2,082,560)</u>
Total tax credit for the year	<u><u>(4,292,563)</u></u>	<u><u>(2,065,204)</u></u>

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Loss before tax	<u><u>(29,372,237)</u></u>	<u><u>(26,309,210)</u></u>
Tax at the statutory tax rate of 16.5%	(4,846,419)	(4,341,020)
Expenses not deductible for tax	2,919,700	3,340,589
Income not subject to tax	(2,399,064)	(1,654,182)
Profits and losses attributable to associates and joint venture	33,282	572,053
Underprovision for profits tax in prior years	–	17,356
Others	<u>(62)</u>	<u>–</u>
Tax credit for the year with effective rate of 14.6% (2022: 7.9%)	<u><u>(4,292,563)</u></u>	<u><u>(2,065,204)</u></u>

11. DIVIDENDS

	<i>Notes</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Interim dividend	a	1,600,336	2,000,420
Less: dividend for shares held under the Company's share award scheme		<u>(115,440)</u>	<u>(144,300)</u>
		<u>1,484,896</u>	<u>1,856,120</u>
Final dividend	b	2,400,504	3,200,672
Less: dividend for shares held under the Company's share award scheme		<u>(173,160)</u>	<u>(230,880)</u>
		<u>2,227,344</u>	<u>2,969,792</u>
Dividends declared and paid		3,712,240	4,825,912
Proposed final dividend	c	<u>1,002,210</u>	<u>2,400,504</u>
		<u><u>4,714,450</u></u>	<u><u>7,226,416</u></u>

Notes:

- (a) At a meeting held on 3 August 2023, the Board declared an interim dividend of HK0.80 cents (2022: HK1.00 cent) per share for the six months ended 30 June 2023, which was paid on 8 September 2023.
- (b) The final dividend for the year ended 31 December 2022 was approved at the annual general meeting of the Company held on 25 May 2023 and paid on 21 June 2023.
- (c) A final dividend of HK0.50 cents (2022: HK1.20 cents) per share for the year ended 31 December 2023 was recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

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

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

(a) Basic loss per share

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 185,631,803 (2022: 185,612,000) in issue during the year which is after deducting the number of ordinary shares purchased under the share award scheme.

(b) Diluted loss per share

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

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Office premises	
	2023 HK\$	2022 HK\$
As at 1 January	2,774,400	4,074,148
Additions	1,449,081	1,404,362
Depreciation charge	(1,989,886)	(2,234,653)
Revision of a lease term arising from a change in the period of a lease	–	(234,307)
Exchange realignment	(24,284)	(235,150)
As at 31 December	<u>2,209,311</u>	<u>2,774,400</u>

(b) *Lease liabilities*

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Carrying amount at 1 January	2,929,576	4,179,597
Additions	1,449,081	1,404,362
Accretion of interest recognised during the year	119,969	97,574
Payments	(2,151,064)	(2,263,792)
Revision of a lease term arising from a change in the period of a lease	–	(237,536)
Exchange realignment	(29,808)	(250,629)
	<u>2,317,754</u>	<u>2,929,576</u>
Carrying amount at 31 December	<u>2,317,754</u>	<u>2,929,576</u>
Analysed into:		
Current portion	1,912,275	1,681,401
Non-current portion	405,479	1,248,175
	<u>1,912,275</u>	<u>1,681,401</u>
	<u>405,479</u>	<u>1,248,175</u>

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Interest on lease liabilities	119,969	97,574
Depreciation charge of right-of-use assets	1,989,886	2,234,653
Expense relating to short-term leases (included in other operating expenses)	203,494	213,959
	<u>2,313,349</u>	<u>2,546,186</u>
Total amount recognised in profit or loss	<u>2,313,349</u>	<u>2,546,186</u>

The Group as a lessor

The Group leases its investment property which is a residential property in Hong Kong under an operating lease arrangement. The term of the lease also requires the tenant to pay security deposits. Rental income recognised by the Group during the year was HK\$474,000 (2022: HK\$464,000), details of which are included in note 6 to this announcement.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Within one year	300,000	279,032
After one year but within two years	279,032	–
	<u>579,032</u>	<u>279,032</u>

14. ACCOUNTS RECEIVABLE

	<i>Notes</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Margin client receivables	a	139,380,062	213,074,306
Cash client receivables	b	53,145,479	29,186,649
		192,525,541	242,260,955
Less: Allowance for ECLs	f	(40,805,372)	(31,999,493)
		151,720,169	210,261,462
Clearing house receivables	c	2,098,077	9,530,507
Broker receivables	d	33,286,108	16,182,085
Placing commission receivables	e	490,628	–
Fee receivables	e	2,148,344	2,954,308
		38,023,157	28,666,900
Total accounts receivable		189,743,326	238,928,362

Notes:

(a) Margin client receivables

At 31 December 2023, the Group held securities (excluding bonds) with an aggregate fair value of HK\$649,428,536 (2022: HK\$968,038,197) and bonds with an aggregate fair value of HK\$6,414,416 (2022: HK\$20,731,500) as collateral over net margin client receivables. All margin client receivables are repayable on demand and bear interest at commercial rates. The collateral held can be sold at the Group's discretion to settle any outstanding amount owned by margin clients.

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

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall classified as stage 3 and a provision for ECL of HK\$39,337,758 was made as at 31 December 2023 (2022: provision for ECL of HK\$31,106,152).

(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:

	2023	2022
	HK\$	HK\$
Cash client receivables		
Within 2 days	46,010,738	20,892,271
Past due		
– Over 2 days but less than 1 month	636,193	1,891,664
– Over 1 month but less than 3 months	28,451	1,855
– Over 3 months but less than 12 months	229,416	1,747,394
– Over 1 years	6,240,681	4,653,465
	53,145,479	29,186,649

Management assessed the fair value of the securities held by the Group on behalf of each individual client who had shortfall classified as stage 3 and a provision for ECL of HK\$1,436,481 was made as at 31 December 2023 (2022: provision for ECL of HK\$703,617).

(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:

	2023	2022
	HK\$	HK\$
Clearing house receivables		
Within 2 days	2,098,077	9,530,507

As at 31 December 2023, included in receivables from clearing houses was a net receivable from HKSCC of HK\$2,098,077 (2022: HK\$9,530,507), 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 and fee 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:

	2023			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2023	120,036	69,688	31,809,769	31,999,493
Transfer to stage 1	68,076	(68,072)	(4)	–
Transfer to stage 2	(35)	35	–	–
Transfer to stage 3	(5)	(118)	123	–
Change arising from transfer of stages	95	620	86,904	87,619
Other remeasurement of loss allowance	(160,567)	1,380	8,877,447	8,718,260
As at 31 December 2023	<u>27,600</u>	<u>3,533</u>	<u>40,774,239</u>	<u>40,805,372</u>
Arising from:				
Margin client receivables	10,280	295	39,337,758	39,348,333
Cash client receivables	17,320	3,238	1,436,481	1,457,039
	<u>27,600</u>	<u>3,533</u>	<u>40,774,239</u>	<u>40,805,372</u>
ECLs rate				
Margin client receivables	0.01%	0.03%	73.11%	28.23%
Cash client receivables	0.10%	0.01%	19.08%	2.74%
	<u>0.01%</u>	<u>0.03%</u>	<u>73.11%</u>	<u>28.23%</u>
	<u>0.10%</u>	<u>0.01%</u>	<u>19.08%</u>	<u>2.74%</u>
	2022			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
As at 1 January 2022	351,058	10,319	7,938,829	8,300,206
Transfer to stage 1	30,996	(6,138)	(24,858)	–
Transfer to stage 2	(62,199)	62,199	–	–
Transfer to stage 3	(36,683)	(1,024)	37,707	–
Change arising from transfer of stages	(5,102)	7,301	4,102,687	4,104,886
Other remeasurement of loss allowance	(158,034)	(2,969)	19,755,404	19,594,401
As at 31 December 2022	<u>120,036</u>	<u>69,688</u>	<u>31,809,769</u>	<u>31,999,493</u>
Arising from:				
Margin client receivables	109,582	68,242	31,106,152	31,283,976
Cash client receivables	10,454	1,446	703,617	715,517
	<u>120,036</u>	<u>69,688</u>	<u>31,809,769</u>	<u>31,999,493</u>
ECLs rate				
Margin client receivables	0.07%	0.31%	73.11%	14.68%
Cash client receivables	0.19%	0.01%	8.65%	2.45%
	<u>0.07%</u>	<u>0.31%</u>	<u>73.11%</u>	<u>14.68%</u>
	<u>0.19%</u>	<u>0.01%</u>	<u>8.65%</u>	<u>2.45%</u>

Impairment under HKFRS 9 for the year ended 31 December 2023

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in ECLs allowances during 2023:

- Transfer of client receivables of HK\$10,476,211 from stage 1 to stage 3 and HK\$562,782 from stage 2 to stage 3, resulting in an increase in ECLs allowance of HK\$86,904.

As at 31 December 2023, the stage 3 gross margin client and cash client receivables amounted to HK\$61,334,423, of which HK\$9,594,281 are those customers holding suspended securities. For the remaining balance amounting to HK\$51,740,142, the fair value of marketable securities held by the Group for these customers, which mitigate a certain extent of credit risk, amounted to HK\$4,055,300.

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

Impairment under HKFRS 9 for the year ended 31 December 2022

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

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

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

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

15. ACCOUNTS PAYABLE

	2023	2022
	HK\$	HK\$
Margin and cash client payables	28,237,732	14,748,813
Due to clearing houses	1,472,243	2,808,524
Broker payables	76,893	2,484,165
Insurer payables	27,887	40,730
	29,814,755	20,082,232

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 2023, included in amounts payable to clearing houses was a net payable to HKSCC of HK\$1,472,243 (2022: HK\$2,808,524) 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 2023, the total number of authorised ordinary shares was 2,000,000,000 (2022: 2,000,000,000) with a par value of HK\$0.01 per share (2022: HK\$0.01 per share).

Issued and fully paid

	2023	2022
	HK\$	HK\$
Issued and fully paid:		
200,366,000 (2022: 200,042,000) ordinary shares	2,003,658	2,000,418

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

	<i>Note</i>	Number of shares in issue	Share capital HK\$
As at 1 January 2022, 31 December 2022 and 1 January 2023		200,042,000	2,000,418
Share options exercised	a	324,000	3,240
As at 31 December 2023		200,366,000	2,003,658

Note:

- (a) The subscription rights attaching to 324,000 share options were exercised at the subscription price of HK\$2.29 per share, resulting in the issue of 324,000 shares for a total cash consideration, before expenses, of HK\$741,960. 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.

The Group is also engaged in the provision of (i) virtual asset dealing services under an omnibus account arrangement; (ii) virtual asset dealing services by way of introducing eligible clients to licensed virtual asset platforms for direct trading; (iii) market and distribute of virtual asset-related private funds to eligible clients; (iv) securities brokerage services to eligible clients with respect to virtual asset-related exchange traded funds (including exchange-traded virtual asset derivative funds); and (v) virtual asset advisory services with licensing conditions imposed on the license of the subsidiary.

The Group can also manage portfolios that invest in virtual assets, subject to compliance with the SFC's "Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets".

Update on business development

During the year ended 31 December 2023 and up to the date of this announcement, the Group has certain progress in the provision of services related to virtual asset and asset management with details as follows:

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

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

In view of the rapid development of virtual assets in recent years, the Board believes that, subject to the securing of requisite regulatory approvals, VFCL's operation of a virtual asset trading platform is in line with the Group's strategy to provide more diversified services to investors and will create opportunities for synergies amongst the various business lines of the Group, which will in turn bring in new sources of revenue to the Group.

(2) *Manage portfolios that invest in virtual assets and provision of virtual asset dealing and advisory services to retail clients*

In March 2023, Victory Securities (HK), a wholly owned subsidiary of the Company, has secured consent from the SFC to manage portfolios that invest in virtual assets, subject to compliance with the SFC’s “Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets”.

In November 2023, the Group has obtained consent from the SFC to further expand the services of virtual asset dealing services under an omnibus account arrangement and virtual asset advisory services (together, “**VA Dealing and Advisory Services**”) to retail clients, subject to the prescribed terms and conditions imposed by the SFC.

In view of the rapid development of virtual assets in recent years, the Board believes that the provision of asset management services in respect of virtual assets will enable the Group to provide more diversified services to its clients, The Board also believes that the provision of VA Dealing and Advisory Services to retail clients will enable the Group to expand its customers base and provide more diversified services to its clients, both of which are in line with the strategy of the Group, and will have a positive impact on the future development of the Group by creating new avenues of revenue generation as well as industry knowledge from expertise on virtual asset, as well as bringing in new sources of revenue from broaden customers’ base.

(3) *Obtain license to operate asset management business in Japan*

In September 2023, Victory Asset Management Japan, a non-wholly owned subsidiary of the Company, became the first foreign company to be granted a Type II Financial Instruments Business License in Fukuoka from the Financial Services Agency. With the Type-II Financial Instruments Business License, Victory Asset Management Japan is able to provide a wide range of services, including intermediation and brokerage of buy and sell, solicit or privately placement of collective investment scheme equity.

Save as disclosed above, there is no further update on the business development during the year ended 31 December 2023 and up to the date of this announcement.

Introduction to business sectors

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

Brokerage services

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

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

Revenue generated from securities/futures/insurance policies broking services accounted for approximately 28.7% and 33.8% of the total revenue for the years ended 31 December 2023 and 2022, 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 2.9% and 13.4% of the total revenue for the years ended 31 December 2023 and 2022, 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.

Advising on securities services

The Group also provides services of advising on investment activities, which involve providing research reports or analysis on securities and investment proposals to target audiences. Revenue generated from advising on securities accounted for approximately 1.5% and 0.1% of the total revenue for the years ended 31 December 2023 and 2022, 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 17.2% and 9.0% of the total revenue for the years ended 31 December 2023 and 2022, 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 2023 and 2022, approximately 36.1% and 35.0% 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 13.2% and 8.7% of the Group’s total revenue for the years ended 31 December 2023 and 2022, respectively.

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

(4) *Financial advisory services*

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

The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services accounted for 0.4% and nil of the total revenue for the years ended 31 December 2023 and 2022, 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 are still facing great challenges in year 2023. Worldwide economic recovery is still in a slow pace and different investors tend to be more prudent in making investment decisions. The unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group's operations.

Due to the uncertainties in both regional and global economies in year 2023, the capital markets in Hong Kong remains sluggish, which in turns have an adverse impact on the brokerage service income of the Group, especially those generated from the stock markets of Hong Kong. The total turnover of the Hong Kong stock market decreased from approximately HK\$30,727.19 billion for the year ended 31 December 2022 to approximately HK\$25,517.99 billion for the year ended 31 December 2023, representing a decrease of approximately 17.0%. This decrease in trading turnover has a negative impact on the revenue of the Group for the year ended 31 December 2023. Clients' investment behaviour may be affected by the overall market atmosphere and therefore the Group aims to transform into an integrated financial services provider in order to provide more variety of services to its clients and to diversify its revenue sources.

The Group continues 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. The Group has allocated adequate resources to its asset management segment to expand the scale of this segment and to attract funds from different sources, and this can be reflected by the licenses granted by respective authority in Japan to provide asset management services during year 2023. The Group is confident that the asset management segment will play a vital role in the Group's future development and growth with the asset management license in Japan, as well as the asset management license obtained in Singapore and PRC in year 2022.

The Group will also continue to explore potential opportunities in the financial advisory services segment, which much depends on the economy recovery and investment sentiment in the PRC.

The Group has also invested in virtual assets segment, which the Group believes will be more significant and important in the financial sectors following the introduction of different rules and regulations governing the operation of virtual assets by SFC or other regulatory bodies. Upon obtaining permission from the SFC to provide asset management services in respect of virtual assets as mentioned in the section “Update on business development” above, the Group became the first and only financial group in Hong Kong to obtain consent from SFC to provide trading, advisory, and asset management services related to virtual assets simultaneously. The Group believes that virtual assets are an emerging business that will provide clients with more diversified investment options and can offer vitality to the traditional Hong Kong financial market. This enables the Group to provide more diversified services to its clients, which is in line with the strategy of the Group, and will have a positive impact on the future development of the Group by creating new revenue sources as well as industry knowledge from expertise on virtual asset.

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. 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.

In general, Hong Kong’s economic outlook in year 2024 may still be affected by certain global and domestic factors, including the recovery of Hong Kong economy after the removal of all anti-epidemic measures of COVID-19 during year 2023, and the commodity price movement. This has brought volatility and challenges to the various stock markets 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 financial and operating performance of the Group depends on the recovery of the local and global financial markets, especially the markets in Hong Kong and PRC. The Company will closely monitor the situation and assess its impact on the Group’s financial position and operating results.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2023 and 2022 are summarized as below:

	For the year ended		Differences	Change
	31 December			
	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	%
Securities/futures broking services, placing and underwriting services and advising on securities services	25,866	42,804	(16,938)	(39.6)
Financing services	19,860	27,005	(7,145)	(26.5)
Asset management services	7,460	9,389	(1,929)	(20.5)
Financial advisory services	205	–	205	N/A
Insurance brokerage services	1,776	602	1,174	195.0
Losses on derivative financial instruments	(201)	(2,693)	2,492	(92.5)
Total	<u>54,966</u>	<u>77,107</u>	<u>(22,141)</u>	<u>(28.7)</u>

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

Securities services comprise mainly brokerage services, placing and underwriting services and advising on securities services. The table below sets out a breakdown of the revenue from securities services during the years ended 31 December 2023 and 2022:

	For the year ended		Differences	Change
	31 December			
	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	%
Brokerage services	13,973	25,358	(11,385)	(44.9)
Placing and underwriting services	1,582	10,386	(8,804)	(84.8)
Advising on securities services	837	97	740	762.9
Others	9,474	6,963	2,511	36.0
Total	<u>25,866</u>	<u>42,804</u>	<u>(16,938)</u>	<u>(39.6)</u>

(a) *Securities/futures brokerage services*

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$13.97 million from the brokerage services, representing a decrease of approximately 44.9% as compared to the revenue of approximately HK\$25.36 million for the year ended 31 December 2022. This was mainly due to a decrease in brokerage income derived from the Hong Kong stock market as a result of the adverse market sentiment, in which the total turnover of the Hong Kong stock market decreased from approximately HK\$30,727.19 billion for the year ended 31 December 2022 to approximately HK\$25,517.99 billion for the year ended 31 December 2023, representing a decrease of approximately 17.0%.

(b) *Placing and underwriting services*

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$1.58 million from the placing and underwriting services, representing a decrease of approximately 84.8% as compared to the revenue of approximately HK\$10.39 million for the year ended 31 December 2022. This was mainly due to the decrease in overall corporate exercises in the market during the year ended 31 December 2023.

(c) *Advising on securities services*

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$0.84 million from advising on securities services, representing an increase of approximately 762.9% as compared to the revenue of HK\$0.10 million for the year ended 31 December 2022. Revenue from this sector was derived from providing research reports and analysis and the amount increased mainly due to the increase in engagements when compared to the year ended 31 December 2022 as a result of the fluctuation in the stock market during the current year.

(d) *Others*

Other services mainly represented (i) handling fee income arising from the services such as 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 2023, the Group recorded a revenue from other services of approximately HK\$9.47 million, representing an increase of approximately 36.0% as compared to the revenue of approximately HK\$6.96 million for the year ended 31 December 2022. The increase of revenue from such other services was mainly due to an increase in interest income from authorised institutions.

(2) *Financing services*

For the year ended 31 December 2023, the Group recorded interest income of approximately HK\$19.86 million from financing services, representing a decrease of approximately 26.5% as compared to the revenue of approximately HK\$27.01 million for the year ended 31 December 2022. This was mainly due to the decrease in the overall margin loan to clients due to unfavourable market condition which investors tend to be more conservative.

(3) *Asset management services*

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$7.46 million from asset management services, representing a decrease of approximately 20.5% as compared to the revenue of approximately HK\$9.39 million for the year ended 31 December 2022. This was mainly due to decrease in revenue from new customers when compared to the year ended 31 December 2022. Also, due to the adverse market conditions during the year ended 31 December 2023, it resulted in losses on derivative financial instruments, in which the Group entered into loss protection discretionary account management agreements with customers for asset management services, of approximately HK\$0.20 million (2022: HK\$2.69 million).

(4) *Financial advisory services*

For the year ended 31 December 2023, the Group recorded revenue of HK\$0.21 million from the financial advisory services, representing an increase as compared to nil revenue for the year ended 31 December 2022. The Group will continue to explore potential opportunities in the financial advisory services segment, which much depends on the economy recovery and investment sentiment in the PRC after all the anti-epidemic measures on COVID-19 in PRC were released near end of year 2022.

(5) *Insurance consultancy services*

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$1.78 million from insurance consultancy services, representing an increase of approximately 195.0% as compared to the revenue of approximately HK\$0.60 million for the year ended 31 December 2022. Approximately 95% of the Group's insurance consultancy services revenue is generated from long-term insurance plans and the increase in revenue was mainly due to the increase in premium size per client.

Other income and gains/(losses), net

Other income and gains/(losses), net was approximately HK\$1.34 million (gains) for the year ended 31 December 2023, representing an increase of approximately 152.6% as compared to the amount of approximately HK\$2.55 million (losses) for the year ended 31 December 2022. Such reversal from loss to gain was mainly due to increase in fair value gains on financial assets at fair value through profit or loss of approximately HK\$4.11 million when compared to the year ended 31 December 2022.

Commission expenses

The following is the breakdown on commission expenses:

	For the year ended			
	31 December			
	2023	2022	Differences	Change
	HK\$'000	HK\$'000	HK\$'000	%
Commission for brokerage services	3,441	8,929	(5,488)	(61.5)
Commission for insurance consultancy services	1,247	401	846	211.0
Total	<u>4,688</u>	<u>9,330</u>	<u>(4,642)</u>	<u>(49.8)</u>

Commission expenses for the year ended 31 December 2023 was approximately HK\$4.69 million, representing a decrease of approximately 49.8% as compared to the commission expenses of approximately HK\$9.33 million for the year ended 31 December 2022, which decreased in line with the decrease in revenue from securities/futures brokerage services.

Other operating expenses

Other operating expenses mainly comprised (i) exchange and clearing fee; (ii) information services expenses; (iii) legal, consultancy and professional fee; (iv) staff welfare, marketing and entertainment expenses; and (v) insurance expenses, which accounted for approximately 48.1% (2022: 70.8%) of the total other operating expenses. Other operating expenses for the year ended 31 December 2023 was approximately HK\$28.14 million, representing an increase of approximately 50.7% as compared to the other operating expenses of approximately HK\$18.67 million for the year ended 31 December 2022, mainly due to increase in once off discretionary payment to specific asset management clients of approximately HK\$8.91 million in order to maintain relationship with these major clients with broad connections. The management considered that the discretionary payment will help to maintain the loyalty of these asset management clients who will be able to introduce more potential clients with high net-worth, which can help to sustain the long-term development and growth of the asset management services segment.

Other operating expenses also increased due to one-off marketing expenses of approximately HK\$1.44 million in relation to the 50th anniversary Gala Dinner of the Group.

Loss for the year

Loss for the year ended 31 December 2023 was approximately HK\$25.08 million, representing an increase of approximately 3.4% as compared to the loss of approximately HK\$24.24 million for the year ended 31 December 2022 mainly due to decrease in revenue as mentioned above and increase in certain one-off expenses such as discretionary payments to certain asset management clients and marketing expenses.

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 2023, the Group financed its operations by cash flow from operating activities and bank borrowings. The Group was operating in a net cash inflow position for the year ended 31 December 2023, in which net cash from operating activities amounted to approximately HK\$37.91 million (for the year ended 31 December 2022: net cash from operating activities amounted to approximately HK\$108.17 million), which was due to decrease in margin and cash clients receivables as at 31 December 2023. As at 31 December 2023, aggregate of bank and cash balances of the Group amounted to approximately HK\$23.67 million (as at 31 December 2022: approximately HK\$31.42 million), which were substantially denominated in Hong Kong dollar, Renminbi and US dollar (“US\$”).

As at 31 December 2023, the Group’s current assets and current liabilities were approximately HK\$230.88 million (as at 31 December 2022: approximately HK\$290.63 million) and approximately HK\$135.18 million (as at 31 December 2022: approximately HK\$164.28 million), respectively. As at 31 December 2023, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.71 times (as at 31 December 2022: approximately 1.77 times).

As at 31 December 2023, the bank and other borrowings of the Group were approximately HK\$93.88 million (as at 31 December 2022: approximately HK\$130.23 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 2023 and 31 December 2022 ranged from one-week Hong Kong Interbank Offered Rate plus 2.25% for revolving term loans, and at Hong Kong Prime Rate/Hong Kong Prime Rate plus 0.5% per annum for overdrafts. All bank loans have maturity within one month and were all denominated in Hong Kong dollars ("HK\$"). The Group's gearing ratio (measured as total bank borrowings and bonds issued over total assets) as at 31 December 2023 was approximately 31.2% (as at 31 December 2022: approximately 35.6%), decreased in the Group's gearing ratio was mainly due to the decrease in margin financing which in turns resulted in decrease in bank and other borrowings as at 31 December 2023.

The Group's investments are mainly financial assets at fair value through profit or loss. As at 31 December 2023, the market value of which were approximately HK\$5.89 million (as at 31 December 2022: approximately HK\$8.45 million) and are mainly equity securities listed in Hong Kong.

The capital of the Group comprises ordinary shares as at 31 December 2023 and 31 December 2022. As at 31 December 2023, total equity attributable to owners of the Company amounted to approximately HK\$163.01 million (as at 31 December 2022: approximately HK\$188.91 million).

PLEDGE OF ASSETS

As at 31 December 2023 and 31 December 2022, bank loans secured by clients' securities and securities held by the Group amounting to approximately HK\$71.50 million and HK\$129.70 million, respectively, an unlisted investment held by the Group amounting to approximately HK\$4.22 million and HK\$4.05 million as at 31 December 2023 and 31 December 2022, respectively, a time deposit held by the Group amounting to approximately HK\$4.21 million and HK\$4.04 million as at 31 December 2023 and 31 December 2022, respectively, and leasehold land and buildings and the investment property of the Group with an aggregate carrying value amounting to approximately HK\$55.68 million and HK\$57.70 million as at 31 December 2023 and 31 December 2022, respectively.

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in HK\$, while the Group have assets and liabilities denominated in Renminbi and the US\$ 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 2023 and 2022.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 and 2022.

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 2023.

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 2023, the Group had 50 full-time employees (as at 31 December 2022: 57), including all executive and non-executive directors but excluding independent non-executive directors. During the year ended 31 December 2023, the total employees’ cost (including directors’ emoluments and retirement benefit scheme contribution) was approximately HK\$31.23 million (for the year ended 31 December 2022: approximately HK\$32.72 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 HK0.50 cents per share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK1.20 cents per share), amounting to approximately HK\$1,002,210 to those Shareholders whose names appear on the register of members at the close of business on Thursday, 6 June 2024, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 30 May 2024 (“**2024 AGM**”). It is expected that the final dividend will be paid on or about Wednesday, 26 June 2024, if approved.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the 2024 AGM

The register of members of the Company will be closed from Friday, 24 May 2024 to Thursday, 30 May 2024, 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 2024 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 23 May 2024.

To qualify the proposed final dividend

The register of members of the Company will also be closed from Friday, 7 June 2024 to Tuesday, 11 June 2024, 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, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 6 June 2024.

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices follow the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 of the GEM Listing Rules. For the year ended 31 December 2023, to the best knowledge of the Board, the Company has fully complied with all the code provisions set out in the CG Code.

AUDIT COMMITTEE

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

The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2023.

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 2023.

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

During the year ended 31 December 2023, 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 2023.

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 2023 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 2023. 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 2023 containing all the information required by the GEM Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2023. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2023, which will be available in the websites of the Stock Exchange and the Company in around mid-March 2024.

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, 14 March 2024

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 Listed Company Information" page of the HKEX website at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.victorysec.com.hk.