VC GROUP
滙盈集團

Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)
Website: http://www.vcgroup.com.hk
(Stock Code: 821)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (the "Company") submits the audited consolidated results of the Company and its subsidiaries (collectively "VC Group" or the "Group") for the year ended 31 December 2019 together with the audited comparative figures of the corresponding period in 2018.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue for the year ended 31 December 2019 amounted to approximately HK$49.2 million, which decreased by about 2.5% as compared with the same period in 2018.

The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$93.4 million for the year ended 31 December 2019 against a loss of approximately HK$486.3 million for the same period in 2018, representing a significant decrease of about 80.8%.

CHAIRMAN'S STATEMENT

2019 will be an unforgettable year for Hong Kong people. The ongoing trade war between United States (US) and China which is impeding the economic development of both China and Hong Kong. More or not less, Hong Kong has been witnessing continuous social unrest since June. The social unrest has exposed a great deal of uncertainties and showed little sign of resolution in near future. Investors turned pessimistic and economic conditions of Hong Kong have deteriorated significantly.

As the trade war intensifies during the first quarter of 2019, the Hang Seng Index ("HSI") started to edge downwards in May after soaring to over 30,000 points in April, and drop to below 25,000 points in August. Luckily, market bottom out and start rally to 29,000 points after US and China agreed to sign Phase 1 trade deal in January 2020. However, good time won't last as the novel Coronavirus broke out in the beginning of 2020. Global markets fall as the novel Coronavirus spreads around the world, as investors concern of a much larger economic impact than previously expected. The oil price plunged as a result of OPEC and Russia failed to agree on a joint production curbs through the end of 2020. Saudi Arabia promptly slashed its crude prices, stoking price war concerns. This inevitably added uncertainties to the market. Stock markets across the globe are suffering their worst times in March 2020 since the financial crisis of 2008.

Although the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group's core businesses in (i) provision of financing services including brokerage and financing services, corporate finance and other advisory services, asset management and insurance brokerage; and (ii) proprietary trading. The Group's business strategies continue to include enlarging the Group's revenue base through fostering its core businesses, and tapping into new emerging markets with expanded business initiatives. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders' value.

During the year 2019, the Group's still recorded a loss amid a highly turbulent year, though the loss had been substantially reduced. The Group's financial position as at the end of year was still robust with minimal liabilities sustained.

Looking forward, the prospects of Hong Kong's economy and business environment continue to look bleak, operating environment of the Group remains complicated and challenging facing economic, political and epidemic uncertainties. In spite of the external and internal uncertainties, the Group is confident that Hong Kong still has competitive edge. We also believe that challenges always come with opportunities. Our strategies remain unchanged - enlarge our revenue base by strengthening the existing core businesses, tap into new emerging markets with expanded business initiatives and explore business opportunities in the PRC. The Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond.

In closing, on behalf of my fellow Directors, I wish to express our sincere appreciation and wholehearted gratitude to the management team and all staff of the Group for their professional dedication, hard work, commitment and contributions throughout the year. I would also like to extend our sincere thanks to our shareholders and stakeholders for their confidence and continuous support to the Group throughout the year. We will continue to put efforts in creating greater value for our shareholders and investors.

Fu Yiu Man, Peter
Chairman & Executive Director

Hong Kong
26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

VC Group is an established financial services group committed to delivering premier financial services and products that fulfill various investment and wealth management needs of clients in the Greater China region. The Group's expertise includes (i) provision of financial services comprising securities, futures and options brokering and dealing, financing services, corporate finance and other advisory services, asset management and insurance brokerage; and (ii) proprietary trading.

BUSINESS REVIEW

The HSI was moving up and down during 2019, gained more than 9% or up 2,344 points to close at 28,189 points at the end of 2019. Apart from the internal strife, external troubles also persisted. The unending US-China trade war can be the Achilles' heel of the global economy. Notwithstanding over a year of negotiations, the two nations signed Phase 1 trade due in January 2020, however, both nations continue to lock horns over growing divisions, and comprehensive solution looks far off. Gross domestic product ("GDP") dropped at a year-on-year rate of 1.2% in 2019, a decade low. GDP growth keep on slips into the negative zone, Hong Kong technically enter into recession. Therefore, prospects of the securities industry for the coming year do not look particularly good. In fact, the industry has started a natural selection process, in which a number of small-scale securities trading firms have been mercilessly eliminated during the year while only the fittest and the most competitive bigger firms survived.

Although rumor has it that Hong Kong Exchanges and Clearing Limited ("HKEx") might be overtaken by Shenzhen or Macau, Hong Kong remains a well-established international financial hub with core strengths such as high international rankings in terms of legal system, establishments, professional support, human resources and offshore Renminbi ("RMB") trading over the years. Hong Kong has an excellent track record and topped the global chart of initial public offering ("IPO") fund raising amount for 5 years in the past decade. The total amount of IPO proceeds for the whole year reached approximately HK$314.5 billion, making the city the top IPO markets in the world. HKEx also continues to improve its services and expand its global product portfolio during the year. Such initiatives include the introduction of inline warrants and weekly index options as well as the studies of simplifying IPO processes, shortening settlement time for IPO and other arrangements to further optimize the IPO system.

On the other hand, the Securities and Futures Commission has strengthened its regulation on the financial industry, such as tightening the guidelines for margin lending and introducing the front-loaded regulation to eliminate the listing of shell and fraudulent companies. These measures will foster the long-term and healthy development of the financial market in Hong Kong.

As a financial services provider, the business performance of the Group is inevitably impacted by both the macro environment and local market conditions. Nevertheless, the Group always thrived on its solid financial standing and its various investment services and products offered to our clients. All of these consolidated the Group as a competitive player in the financial industry. While the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group's core businesses in provision of financial services including (i) securities, futures and options brokering and dealing, and financing services (including local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, placement and underwriting, margin financing and money lending, etc.); (ii) corporate finance and other advisory services (including mergers and acquisitions and company secretarial services to clients, etc.); (iii) asset management; and (iv) insurance brokerage; and proprietary trading. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders' value.

Establishment of a joint venture securities company in Guangxi

In July 2016, the Company announced that VC Brokerage Limited ("VC Brokerage"), an indirectly wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with three independent third parties to establish a joint venture securities company in Guangxi, the PRC (the "PRC JV Company"). Subject to the approval by China Securities Regulatory Commission (the "CSRC"), the PRC JV Company is expected to be a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC. Pursuant to the Joint Venture Agreement, VC Brokerage will contribute RMB445 million (equivalent to approximately HK$496 million), representing 44.5% shareholding in the PRC JV Company.

The Company intended to finance the investment in the PRC JV Company by placing of convertible bonds in the aggregate principal amount of up to HK$850 million (the "Convertible Bonds") at an initial conversion price of HK$0.65 each pursuant to a placing agreement entered into at the same time. The aggregate net proceeds from placing of the Convertible Bonds will be approximately HK$829 million, which is intended to use for capital contribution to the PRC JV Company and the remaining balance is intended to use for expanding the Group's existing businesses and other possible investments in the future, when opportunities arise.

In June 2018, the Company was informed by Guangxi Financial Investment Group Company Limited (廣西金融投資集團有限公司) ("Guangxi Jintou"), who is responsible for liaising with CSRC for the formation of the PRC JV Company, partners of the PRC JV Company would be changed. Guangxi Railway Investment Group Co., Ltd. (廣西鐵路投資集團有限公司) ("Guangxi Railway") will replace Guangxi Hande Group Company Limited (廣西瀚德集團有限公司) and Beijing Heyuan Finance Equity Investment Centre (limited partnership) (北京合源融金股權投資中心(有限合夥)) as a new partner of the PRC JV Company. The amount of capital contribution and shareholding of VC Brokerage in the PRC JV Company remains unchanged.

As further informed by Guangxi Jintou in September 2018, Guangxi Communications Investment Group Co., Ltd. (廣西交通投資集團有限公司) will replace Guangxi Railway become one of the joint venture partners of the PRC JV Company. The amount of capital contribution and shareholding of VC Brokerage in the PRC JV Company still remains unchanged.

On 21 May 2019, being the expiry date of the extended placing period, the Company was unable to reach agreement with the placing agent to further extend the placing period, the placing agreement for the Convertible Bonds had lapsed on that date.

As at the date hereof, the Company and VC Brokerage have not yet obtained the approval and authorisation from the CSRC for establishment of the PRC JV Company. Details of the transaction please refer to the Company's announcements dated 24 July 2016, 20 September 2016, 26 October 2016, 18 November 2016, 17 January 2017, 29 March 2017, 28 June 2017, 20 September 2017, 12 October 2017, 12 January 2018, 27 March 2018, 27 June 2018, 20 July 2018, 28 August 2018, 6 September 2018, 28 November 2018 and 21 February 2019; and the Company's circulars dated 26 September 2016, 27 February 2017, 22 September 2017, 23 February 2018, 3 August 2018 and 31 January 2019.

Formation of joint venture company to act as a sponsor to a limited partnership fund

On 22 September 2017, the Company entered into a legally binding memorandum of understanding (the "2017 MOU") with an independent third party (the "Party") in relation to the proposed formation of a joint venture company (the "JV Company") to act as a sponsor to a limited partnership fund (the "Fund") which will focus on infrastructure projects (the "Proposed Joint Venture"). The 2017 MOU is subject to the parties entering into formal agreements to set out the definitive terms of the Proposed Joint Venture. The Company shall have the right to acquire no less than 5% of the entire issued share capital of the JV Company. The initial cost required for the setting up of the JV Company and the Fund (the "Organisation Expenses") shall be borne equally between the Company and the Party, provided that in any event, the Company's provision of the initial cost shall be limited to HK$7.5 million. As at 30 June 2019, the Company paid an amount of HK$5 million for the Organisation Expenses. As the Company was unable to reach agreement with the Party to extend the 2017 MOU which was due on 30 June 2019, the 2017 MOU had lapsed on that date. Remaining funds after expenses would be returned to the company upon finalization of completion account. Details of the transaction had been disclosed in the Company's announcements dated 22 September 2017, 5 January 2018, 27 June 2018, 28 December 2018 and 28 June 2019.

Subscription of the increased registered capital in Beijing Shuntong Taida Aviation Ground Service Co., Ltd.

On 27 February 2019, Massive Benefit (HK) Limited ("Massive Benefit"), an indirect wholly owned subsidiary of the Company, Beijing Sky Jingshi Investment Co., Ltd. Beijing Taihe Zhongcheng Management Technology Center and Beijing Shuntong Taida Aviation Ground Service Co., Ltd. (the "Target Company") entered into an investment agreement (the "Investment Agreement") pursuant to which the Target Company has agreed to conditionally increase its registered capital by RMB2,117,600, and Massive Benefit has agreed to conditionally make a capital investment of RMB15,000,000 in cash to subscribe for the increased registered capital in the Target Company with the premium to be accounted into capital reserve of the Target Company. Upon completion, Massive Benefit will directly hold 15% equity interest in the Target Company and accordingly, the Company will thereby indirectly hold 15% equity interest in the Target Company.

On 28 June 2019, due to business plan adjustment, the parties to the Investment Agreement voluntarily entered into a termination agreement (the "Termination Agreement"), pursuant to which, the parties mutually agreed that the Investment Agreement shall terminate and cease to have any effect. Each party to the Termination Agreement has released and discharged other parties from all their legal liabilities under the Investment Agreement and shall have no claim against each other. Details of the transaction had been disclosed in the Company's announcements dated 27 February 2019 and 28 June 2019.

Establishment of insurance brokerage business

On 27 March 2019, VC Financial Group Limited, a direct wholly owned subsidiary of the Company, entered into a memorandum of understanding with Mr. Lo Ping Hung Eric, an independent third party, to acquire the entire equity interest in Experts Management Limited, an insurance broker company. The formal sale and purchase agreement was made on 3 April 2019 and the acquisition was completed on the same date, with the cash consideration of approximately HK$2.3 million.

Details of the Group's business performance of each operating segment for the year ended 31 December 2019, together with the comparative figures of the corresponding period in 2018, are given in the section "FINANCIAL REVIEW" below.

OUTLOOK

Looking forward to 2020, the development of the novel Coronavirus epidemic will be critical. The globalised outbreak already hit the global economy in a very tough way. With respect to the ongoing US-China trade war, the fight between the US and China is becoming a routine. Any agreement between the two nations will probably be short-term. In particular, Donald Trump, the president of the US, will turn US-China relationship into his political leverage in the upcoming presidential election in order to hold sway over the public. As such, the trade war is going to intensify with more and more battlegrounds, thereby impacting the global stock market.

As to Hong Kong itself, uncertainties are expected to linger for some while, and the city's society, economy and competitiveness will suffer. Nevertheless, with the perseverance and concerted efforts of the people of Hong Kong, the city will tide over the difficulties.

Our business strategies continue to include enlarging our revenue base through fostering our core businesses, and tapping into new emerging markets with expanded business initiatives. While applying our excellent operational capabilities to serve our clients, the Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond. The Group will continue to explore the business opportunities in the PRC market. At the same time, the Group also keeps a firm grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted.

LONG-TERM BUSINESS STRATEGY

The Group's core businesses remain competitive with a focus on provision of financial services and proprietary trading.

Throughout 2019, the Group did not make any significant changes to its business strategy. Despite market volatility, the Group safeguarded its competitive edge due to a number of factors: clients established over years, diverse premium services that cater to clients' needs, competitive fees and a proactive and professional team that is dedicated to innovation and exploration of new markets to drive greater business returns for the investors and shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group's consolidated revenue was approximately HK$49.2 million, which decreased by about 2.5% as compared with the same period in 2018. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$93.4 million for the year ended 31 December 2019 against a loss of approximately HK$486.3 million for the same period in 2018, representing a significant decrease of about 80.8%.

The decrease in the Group's consolidated loss attributable to shareholders in 2019 was mainly attributable to (i) absence of loss on acquisition of financial assets at fair value through profit or loss of approximately HK$47.4 million for the year ended 31 December 2018 versus a gain of approximately HK$3.2 million for the year ended 31 December 2019; (ii) decrease in loss arising from fair value change on financial assets at fair value through profit or loss of approximately HK$157.5 million; (iii) decrease in net realised and unrealised loss on financial assets held-for-trading of approximately HK$110.5 million; (iv) decrease in staff cost of approximately HK$43.4 million; and (v) decrease in finance cost of approximately 17.3 million.

To facilitate the review, the Group's revenue and segment information shown in Notes 4 and 5 to the consolidated financial statements is reproduced below after some rearrangements:

Revenue Analysis

	2019		2018		
		Proportion of total revenue		Proportion of total revenue	Increase (decrease)
	HK$'000	*%*	*HK$'000*	*%*	*%*
Revenue from:					
Brokerage and Financing	**37,813**	**77%**	36,721	73%	3%
Brokerage commission and other related fees	**11,786**	**24%**	18,185	36%	(35%)
Underwriting, sub-underwriting, placing and sub-placing commission	**1,339**	**3%**	360	1%	272%
Interest income from brokerage clients	**12,723**	**26%**	9,234	18%	38%
Interest income from money lending clients	**10,465**	**21%**	7,942	16%	32%
Other fees	**1,500**	**3%**	1,000	2%	50%
Corporate Finance and Other Advisory Services	**10,286**	**21%**	13,753	27%	(25%)
Asset Management	**–**	**–**	–	–	–
Insurance Brokerage	**–**	**–**	–	–	–
Proprietary Trading	**1,111**	**2%**	–	–	100%
Total revenue	**49,210**	**100%**	50,474	100%	(3%)

Segment Analysis

	2019 HK$'000	2018 HK$'000
Segment results:		
Brokerage and Financing	**12,593**	4,572
Corporate Finance and Other Advisory Services	**(2,784)**	(2,208)
Asset Management	**(1,601)**	(1,539)
Insurance Brokerage	**(484)**	–
Proprietary Trading	**(28,434)**	(146,369)
Group segment loss	**(20,710)**	(145,544)
Gain (loss) on acquisition of financial assets at fair value through profit or loss	**3,167**	(47,436)
Fair value change on financial assets at fair value through profit or loss	**(20,161)**	(177,657)
Impairment loss on interest in an associate	**(5,000)**	–
Unallocated administrative costs	**(51,193)**	(115,327)
Share of loss of an associate	**(63)**	(11)
Loss before taxation	**(93,960)**	(485,975)
Income tax credit (expenses)	**591**	(341)
Loss for the year attributable to shareholders of the Company	**(93,369)**	(486,316)

Brokerage and Financing

During the year ended 31 December 2019, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage and VC Futures Limited, provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services. It also through another indirect wholly owned subsidiary, VC Finance Limited, provides money lending services. For the year ended 31 December 2019, the brokerage and financing businesses recorded total revenue of approximately HK$37.8 million as compared with approximately HK$36.7 million for the same period last year, representing an increase of about 3%, and accounted for about 77% of the Group's total revenue.

The Group's one of the major revenue streams, namely, brokerage commission and other related fees from dealing in securities, futures and options contracts for the year ended 31 December 2019 amounted to approximately HK$11.8 million, which was about 35% lower than that of 2018 of approximately HK$18.2 million, and accounted for about 24% of the Group's total revenue. The Group's brokerage transactions registered reduction throughout 2019 with average daily trading turnover decreasing by about 37% as compared to that of 2018. Together with other fees, mainly the handling and consultancy fees of approximately HK$1.5 million for the year ended 31 December 2019 as compared to approximately HK$1.0 million in 2018, the revenue from these brokerage businesses recorded a decrease of about 31% as compared with the same period last year.

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2019 increased by about 35% to approximately HK$23.2 million from approximately HK$17.2 million for the same period last year, and accounted for about 47% of the Group's total revenue. The revenue included the interest income derived from both the brokerage business and the money lending business. Among these, the Group's interest income from our brokerage clients recorded approximately HK$12.7 million for the year ended 31 December 2019, representing an increase of about 38% as compared to approximately HK$9.2 million for the same period last year. The raise was mainly attributable to the increase of average loan portfolio of our brokerage clients by about 40% for the year ended 31 December 2019 as compared with the same period last year.

As mentioned above, the Group also provides money lending services to our clients. This aims at broadening our revenue base and also offering our clients with more financial flexibility to meet their personal and business needs. The Group's interest income generated from the money lending services was approximately HK$10.5 million for the year ended 31 December 2019, representing an increase of about 32% as compared to approximately HK$8.0 million for the same period last year. The increase was mainly contributed by a slight increase of average loan portfolio of the money lending business by 1.2 times in 2019 as compared with the same period last year.

The Group has put efforts on implementing our credit control policies and procedures to review our clients' creditworthiness and credit limits from time to time so as to minimize our credit risk exposure. The Group's credit control policies and procedures are principally based on the doubtful unsecured exposure having assessed the fair value of the clients' collaterals held, the evaluation of collectability and aging analysis of the client accounts. As the local economy had little sign of recovery, the Group will take a more cautious approach in provision of financing services. For the year ended 31 December 2019, there was an additional impairment loss of approximately HK$7.0 million on client receivables from the brokerage and financing businesses (2018: HK$12.8 million) in accordance with the Group's credit control policies and procedures. The Group will take all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans. Details of the impairment loss on the client receivables had been disclosed in Note 16 to the consolidated financial statements.

Meanwhile, the Group offers placing and underwriting services to our clients, and acts as placing agent and underwriter for Hong Kong listed companies' fund raising activities. For the year ended 31 December 2019, the Group's placing and underwriting commission was approximately HK$1.3 million as compared with approximately HK$0.4 million for the same period last year. The Group will continue to put efforts to capture the opportunities towards the local initial public offerings and other fund raising exercises.

Overall, the brokerage and financing businesses recorded an operating profit after tax of approximately HK$12.6 million for the year ended 31 December 2019 as compared with a profit of approximately HK$3.7 million for the same period last year. The improvement of the operating performance in 2019 was mainly due to the reversal of impairment on a major client of approximately HK$10.0 million following its settlement of loan, which was partially offset by additional impairment loss on the Group's margin loans and other financing of approximately HK$2.8 million.

Corporate Finance and Other Advisory Services

The Company through its indirect wholly owned subsidiary, VC Capital Limited ("VC Capital"), provides corporate finance advisory services to its clients. In 2019, VC Capital was appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions.

The Company through its another indirect wholly owned subsidiary, VC Corporate Services Limited, provides corporate services, including company secretarial services, registered office and business services, etc., to listed and private companies.

For the year ended 31 December 2019, the Company's corporate finance and other advisory services recorded revenue and operating loss after tax of approximately HK$10.3 million and HK$2.8 million as compared with approximately HK$13.8 million and HK$2.2 million for the same period last year respectively.

Asset Management

For the year ended 31 December 2019, the Company's asset management business, through its indirect wholly owned subsidiary, VC Asset Management Limited, recorded an operating loss after tax of approximately HK$1.6 million as compared with a loss of approximately HK$1.5 million for the same period last year, which mainly included the general operating expenses such as staff costs and professional costs.

The Group continues to pursue new business opportunities and resources to develop its asset management business so as to enhance our products and services offerings to cater for the diverse and growing needs of our clients. In the past few years, the local capital market was volatile and full of uncertainties, which made the development of our asset management business still difficult. Nevertheless, the Group has continued to put efforts in approaching the potential clients so as to gain understanding of their needs, establish long-term business relationship with them and finally provide the personalized investment and wealth management services which can create greater value to them.

Insurance Brokerage

During the year ended 31 December 2019, the Company acquired the entire issued share capital of Experts Management Limited which is principally engaged in the provision for insurance brokerage services. This newly acquired subsidiary owns Insurance Broker Company Licence and is entitled to conduct Long Term Insurance Business. During the year, Experts Management Limited recorded an operating loss of approximately HK$484,000.

With the gradual establishment of sales team and penetration through different sales channels, the Group is optimistic in the future performance of this business segment.

Proprietary Trading

As at 31 December 2019, the Group held equity securities listed in Hong Kong of approximately HK$162.1 million (31 December 2018: HK$240.3 million) as financial assets held-for-trading, which was stated at market value. The fair value of these listed equity securities represents about 19% of the Group's total assets as at 31 December 2019 (31 December 2018: 21%). This segment did not provide positive result to the Group due to the downturn of the Hong Kong capital market during the year mainly caused by the various uncertainties around the globe.

The Group invests mainly through purchases in the secondary market. The management follows strictly the internal securities investment policy and seeks the approval from the Board, when necessary, so as to enhance the financial returns to the shareholders and limit the risk exposure associated therewith. During the year ended 31 December 2019, there was net disposal in securities investment of approximately HK$75.9 million (2018: net purchase of HK$107.5 million).

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$1.1 million (2018: Nil) from the proprietary trading business, which was mainly the dividend income received on the trading investments. Meanwhile, the Group recognised a net loss of approximately HK$26.7 million (including a realised loss of approximately HK$24.4 million and an unrealised loss of approximately HK$2.3 million) on the trading investments for the year ended 31 December 2019 as compared with a net loss of approximately HK$137.1 million (including a realised gain of approximately HK$2.8 million and an unrealised loss of approximately HK$139.9 million) for the same period in 2018.

Below is an analysis of the financial assets held-for-trading held by the Group as at 31 December 2019:

Industries	**Market value as at 31 December 2019**	**Percentage to the Group's total assets**	**Unrealised gain (loss) for the year ended 31 December 2019**
	HK$'000	*%*	*HK$'000*
Energy	25,419	3.0%	(18,321)
Information technology	92,976	10.9%	34,757
Consumer goods and services	5,069	0.6%	(20,927)
Properties and construction	–	0%	4,524
Materials	14,453	1.7%	(1,662)
Financials	7,758	0.9%	(2,560)
Industrials	16,463	1.9%	1,943
	162,138	19.0%	(2,246)

While the performance of different industries did vary, the Group cautiously envisages the investment portfolio and shall be determined to make any strategic moves.

Though the portfolio still recorded an unrealised loss for the year ended 31 December 2019, the loss was substantially reduced to approximately HK$2.2 million from approximately HK$139.9 million for the year ended 31 December 2018.

Overall, the Group's proprietary trading business recorded an operating loss after tax of approximately HK$28.4 million for the year ended 31 December 2019 as compared with a loss of approximately HK$146.1 million for the same period last year.

Gain (loss) on acquisition of financial assets at fair value through profit or loss

Pursuant to the letter dated 25 October 2019, the Company had made an instruction as a placing agent and intend to acquire a 3-year 2.5%, unsecured non-refundable convertible bonds issued by Asia Energy Logistics Group Limited ("Asia Energy", Stock code: 351) issued on 8 November 2019 for an amount of HK$10,000,000 at a consideration of HK$10,000,000. The initial conversion price of the convertible bonds is HK$0.30 per share. The transaction was completed on 14 November 2019. ("Asia Energy Convertible Bonds"). The fair value of the Asia Energy Convertible Bonds was approximately HK$13.2 million as at 14 November 2019 and hence a gain on acquisition of financial assets at fair value through profit or loss of approximately HK$3.2 million was recorded.

As disclosed in 2018 Annual Report, the Company is holding the China Fortune Convertible Bonds in a principal amount of HK$153,585,000 at initial conversion price of HK$0.06 each for an aggregate consideration of HK$400 million on 8 January 2018. The consideration was satisfied in cash of HK$40 million and by issue of the VC Convertible Bonds in the principal amount of HK$360 million at initial conversion price of HK$1.25 each. According to the valuation reports prepared by an independent professional valuer, the fair values of the China Fortune Convertible Bonds and the put option as at 8 January 2018 were approximately HK$439.2 million and HK$28 million respectively and the fair value of the VC Convertible Bonds as at 8 January 2018 was approximately HK$474.7 million. As such, for the year ended 31 December 2018 the Group recognised a loss on acquisition of the China Fortune Convertible Bonds of approximately HK$47.4 million in profit or loss represented the difference between the aggregate fair value of the China Fortune Convertible Bonds and the put option and the aggregate of cash consideration and fair value of the VC Convertible Bonds on 8 January 2018.

Fair value change on financial assets at fair value through profit or loss

The China Fortune Convertible Bonds were measured at fair value with the fair value change recognised in profit or loss. As at 31 December 2019, the fair values of the China Fortune Convertible Bonds and the put option were approximately HK$167.3 million and HK$116.4 million respectively in accordance with a valuation report prepared by an independent professional valuer. For the year ended 31 December 2019, the Group recognised the decrease in the fair value of the China Fortune Convertible Bonds of approximately HK$57.3 million and the increase in fair value of the put option of approximately HK$36.9 million.

Unallocated administrative costs

For the year ended 31 December 2019, the unallocated administrative costs amounted to approximately HK$51.2 million as compared with approximately HK$115.3 million for the same period last year, which mainly included the unallocated corporate operating expenses. The decrease in the unallocated administrative costs of approximately HK$64.1 million in 2019 was mainly attributable to (i) absence in 2019 of the portion of the equity-settled share option expense of approximately HK$31 million pursuant to the share options granted in January 2018; and (ii) reduction of the effective interest expense of approximately HK$18.0 million incurred for the convertible bonds issued by the company in January and June 2018; and (iii) reduction of the corporate operating expenses incurred for the Group's business development such as staff costs, entertainment and travel expenses.

Income tax credit (expenses)

For the year ended 31 December 2019, the Group recognized an income tax credit of approximately HK$591,000 (2018: income tax expense of HK$341,000) which included current tax expense of approximately HK$31,000 (2018: HK$922,000) and deferred tax credit of approximately HK$622,000 (2018: deferred tax credit of HK$581,000). The current income tax credit was made for the over provision of Hong Kong Profits Tax charge in relation to the profitability generated from the brokerage and financing businesses but partially offset by the provision of PRC Enterprise Income Tax in relation to the PRC representative offices of the Group. The deferred tax credit was recognised mainly in relation to the increase in accumulated tax loss of the Group, the convertible bonds issued by the Company and unrealised gain on financial assets held-for-trading for the proprietary trading business.

Finance costs

For the year ended 31 December 2019, the finance costs of the Group amounted to approximately HK$4.0 million (2018: HK$21.3 million), out of which approximately HK$3.3 million (2018: HK$21.2 million) was incurred pursuant to the effective interest expense of convertible bonds issued by the Company during the year ended 31 December 2019, together with some finance costs incurred for the short-term bank loans, in relation to the Group's brokerage and financing businesses and interest expenses on lease liabilities.

Headcount and employees information

As at 31 December 2019, the Group employed a total of 63 employees (31 December 2018: 81), which excluded 16 self-employed account executives for brokerage services (31 December 2018: 18), and 62 and 1 were located in Hong Kong and the PRC respectively (31 December 2018: 75 and 6). Salaries and staff benefits costs (including the Directors' emoluments) and staff commission amounted to approximately HK$38.7 million and HK$1.9 million respectively for the year ended 31 December 2019 as compared with approximately HK$78.2 million and HK$5.8 million respectively for the same period last year.

The decrease in the salaries and staff benefits costs of approximately HK$39.5 million in 2019 was mainly attributable to (i) the absence of the equity-settled share option expense of approximately HK$19.8 million for the share options granted in January 2018, (ii) decrease in termination payments of approximately HK$5.2 million; and (iii) the staff related costs of approximately HK$13.3 million saved due to average headcount reduction and other cost control measures.

The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, the Group also provides medical coverage, sales commission, discretionary and performance related bonus, discretionary share options and share awards to its employees. Meanwhile, employees are provided or funded to attend training and development programs which are relevant to their works.

Liquidity and financial resources/capital structure

For the year ended 31 December 2019, the Group financed its business operations and investments with internal resources, cash revenue generated from operating activities and convertible bonds.

The Group adopts a prudent treasury policy. As at 31 December 2019, almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 31 December 2019.

As at 31 December 2019, the Group did not hold any banking facilities. As at 31 December 2018, the Group held banking facilities of HK$100 million granted from a bank to VC Brokerage, which was required to be secured by bank deposits of HK$40 million and corporate guarantee of HK$100 million provided by the Company. Among the available banking facilities, HK$40 million was general short-term money market loan and current account overdraft. The other HK$50 million was short-term money market loan for margin financing business, which was required to be secured by VC Brokerage's margin clients' listed securities when utilised. The balance of HK$10 million was used for drawings against uncleared cheques. As at 31 December 2018, the Group had utilised an amount of HK$40 million for the general short-term money market loan, which bore an interest rate at 5.09% per annum.

As at 31 December 2019, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$70.8 million (31 December 2018: HK$138.0 million), HK$729.7 million (31 December 2018: HK$536.9 million) and HK$785.9 million (31 December 2018: HK$1,039.3 million) respectively, representing a decrease of about 49%, an increase of 36% and a decrease of 24% respectively as compared with that of 31 December 2018. Current ratio, expressed as current assets over current liabilities, remained robust at about 26.0 times as at 31 December 2019 (31 December 2018: 8.5 times). These showed that the Group still maintained a solid financial position as at 31 December 2019.

As at 31 December 2019 and 31 December 2018, the total numbers of issued ordinary shares of the Company were 1,230,951,598.

Charges on group assets

The Group did not have any charged assets as at 31 December 2019 (31 December 2018: HK$40 million charge over its bank deposits to a bank for securing the banking facilities granted to VC Brokerage).

Foreign exchange exposure

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. For the year ended 31 December 2019, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize the exchange related risks.

Contingent liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities. As at 31 December 2018, the Company had given financial guarantees of HK$100 million to a bank in respect of banking facilities of HK$100 million provided to VC Brokerage as mentioned in the section "*Liquidity and financial resources/capital structure*" above.

So far as known to the Directors, there was no other litigation or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

Gearing ratio

As at 31 December 2019, the Group's gearing ratio, expressed as total borrowings (being the bank borrowings, lease liabilities and liability portion of convertible bonds) over shareholders' equity, was approximately 0.05 time (31 December 2018: 0.06 time).

Significant investments held, their performance and future prospects

For the year ended 31 December 2019, the Group's held the following significant investments:

18% interest in Hackett Enterprises Limited

As disclosed in 2018 Annual Report, Apex Treasure International Limited, the Company's indirect wholly owned subsidiary, is holding 18% of the entire issued share capital of Hackett Enterprises Limited ("Hackett Enterprises") at an acquisition consideration of HK$160,000,000. Hackett Enterprises and its subsidiaries are principally engaged in the provision of loan financing and financial consultancy services in the PRC and the provision of money lending services in Hong Kong.

As at 31 December 2019, the fair value of the above interest in Hackett Enterprises was valued at approximately HK$47.1 million against that of approximately HK$207.1 million as at 31 December 2018. As a result, an impairment loss of approximately HK$160.0 million was recorded for the year ended 31 December 2019 and the difference was charged under the other comprehensive income. The decrease in fair value was mainly attributable to the reduction in the PRC money lending demands leading to drop in loan portfolios. In addition, financial consultancy income also slowed down in line with the PRC financial market trend.

Though the Group is still optimistic in financing business in the PRC, given the uncertainties scattered around the global economy, the Group will review the investment on regular basis to formulate the best strategy on it.

Financial assets held-for-trading

Included in the financial assets held-for-trading as at 31 December 2019 was the Group's investment in 32,606,000 shares or approximately 7.89% of IBO Technology Company Limited (Stock Code: 2708) with fair value of approximately HK$92.6 million, which amounts to approximately 10.9% of the Group's total assets. The investment cost was approximately HK$36.7 million. Its share price has increased by approximately 65% during the year ended 31 December 2019. Given the significant movements during the year, the Group will review its performance closely and take the most appropriate for the benefits of the shareholders of the Company.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

For the year ended 31 December 2019, the Group's did not have any material acquisition or disposals.

Future plans for material investments or capital assets and their expected sources of funding in the coming year

As at 31 December 2019 and as at the date hereof, the Group had no other known plans with regard to material investments or capital assets and their expected sources of funding in the coming year except for the formation of the joint venture securities company in the PRC. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects by using its internal resources and/or different financing options available, whichever should be deemed appropriate.

Meanwhile, as at 31 December 2019, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment.

Events after the reporting period

Major Transaction in relation to Disposal of the Relevant Convertible Bonds by Exercising the Put Option

References are made to the announcement of the Company dated 18 October 2017 (the "Announcement") and the circular of the Company dated 7 December 2017 (the "Circular"), in relation to, among other things, the Acquisition. On 18 October 2017, it was announced that the Company, Pacific Alliance Limited ("PAL") and the Warrantors entered into the Sale and Purchase Agreement pursuant to which the Company agreed to purchase, and PAL agreed to sell, the Convertible Bonds issued by China Fortune Financial Group Limited ("CFFG CB") with a principal amount of HK$153,585,000 convertible into 2,559,750,000 CFFG Conversion Shares at the initial conversion price of HK$0.06 per CFFG Conversion Share (subject to adjustments) for an aggregate consideration of HK$400,000,000. Also, pursuant to the Sale and Purchase Agreement, PAL granted to the Company the Put Option to require PAL to purchase from the Company the Relevant Convertible Bonds, to the extent of HK$76,792,500 (being 50% of the principal amount of the CFFG CB), at the Put Option Price, which approximates the cost of acquisition of the Relevant Convertible Bonds by the Company under the Sale and Purchase Agreement, at any time during the Put Option Period on the condition set out in the Circular.

On 24 January 2020, the Board announces that an agreement was entered into between the Company and PAL, pursuant to which the Company shall sell and transfer, as legal and beneficial owner, the Relevant Convertible Bonds to PAL and PAL shall purchase the Relevant Convertible Bonds free from all encumbrances and third party rights of any kind and together with all rights, including all rights to receive any and all redemption money and interest as well as other payments made or to be made by CFFG under and pursuant to the CFFG CB Instrument.

The Disposal constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will convene the extraordinary general meeting (the "EGM") for the Shareholders to consider, and if appropriate, approve the Disposal. On 19 March 2020, the EGM was convened and shareholders' approval were obtained thereat.

Disposal of the Group's entire holding of 30% interest in Telebox Technology Holdings Limited

On 20 March 2020, Initial Honour Limited ("Initial Honour"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Chen Yu Zhen, an independent third party, to dispose the Initial Honour's entire holding of 30% interest in Telebox Technology Holdings Limited, at a cash consideration of HK$5,000,000. As at the date hereof, the transaction has not yet completed.

The novel Coronavirus

The widespread of the novel Coronavirus all over the world since the beginning of 2020 poses challenges to nearly all the industries in the society. The Group has been closely monitoring the impact of the development on the Group's business and taken all possible effective measures to limit and keep the impact in control. Based on the information currently available, the management does not foresee material adverse impacts on the financial position of the Group. Nonetheless, when more information are available the degree of impact may be different.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	4	**49,210**	50,474
Other income	4	**4,092**	4,058
Other losses	6	**(182)**	(207)
Gain (loss) on acquisition of financial assets at fair value through profit or loss	15	**3,167**	(47,436)
Fair value change on financial assets at fair value through profit or loss	15	**(20,161)**	(177,657)
Net realised and unrealised loss on financial assets held-for-trading	15	**(26,669)**	(137,119)
Impairment loss on accounts receivable, net		**(7,451)**	(8,260)
Impairment loss on interest in an associate		**(5,000)**	–
Staff costs	7	**(40,605)**	(84,046)
Commission expenses		**(4,840)**	(5,387)
Depreciation of property and equipment	13	**(3,304)**	(2,108)
Depreciation of right-of-use assets		**(6,047)**	–
Finance costs	8	**(3,960)**	(21,282)
Other operating expenses		**(32,147)**	(56,994)
Share of loss of an associate		**(63)**	(11)
Loss before tax		**(93,960)**	(485,975)
Income tax credit (expense)	9	**591**	(341)
Loss for the year	10	**(93,369)**	(486,316)
Other comprehensive expense for the year			
Item that will not be classified subsequently to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(160,030)**	–
Total comprehensive expense for the year		**(253,399)**	(486,316)
Loss per share (HK cents)			
Basic and diluted	12	**(7.59)**	(49.36)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Goodwill		**2,016**	–
Trading rights		**–**	–
Other intangible assets		**1,246**	1,246
Interest in an associate		**4,926**	9,989
Property and equipment	13	**5,915**	2,844
Statutory deposits		**2,988**	2,988
Rental and utility deposits		**1,868**	1,578
Right-of-use assets		**10,879**	–
Financial assets at fair value through profit or loss	15	**13,358**	304,081
Financial assets at fair value through other comprehensive income	14	**47,054**	207,084
		90,250	529,810
Current assets			
Accounts receivable	16	**223,680**	167,927
Prepayments, deposits and other receivables		**18,520**	22,429
Financial assets at fair value through profit or loss	15	**445,867**	240,282
Pledged bank deposits		**–**	40,000
Bank balances and cash		**70,788**	138,032
		758,855	608,670
Current liabilities			
Accounts payable	17	**16,231**	24,390
Accrued liabilities and other payables		**5,968**	6,893
Lease liabilities		**6,641**	–
Tax payable		**329**	537
Short-term bank borrowings	18	**–**	40,000
		29,169	71,820
Net current assets		**729,686**	536,850
Total assets less current liabilities		**819,936**	1,066,660

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible bonds		**29,005**	26,116
Deferred tax liabilities		**659**	1,282
Lease liabilities		**4,409**	–
		34,073	27,398
Net assets		**785,863**	1,039,262
Capital and reserves			
Share capital		**1,585,239**	1,585,239
Reserves		**(799,376)**	(545,977)
Total equity		**785,863**	1,039,262

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Share capital *HK$'000*	Capital reserve *HK$'000*	Convertible bonds reserve *HK$'000*	Investments revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2018	855,363	123,758	–	(550)	20,406	(767)	(251,269)	746,941
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(486,316)	(486,316)
Total comprehensive expense for the year	–	–	–	–	–	–	(486,316)	(486,316)
Recognition of equity-settled share option expenses	–	–	–	–	31,322	–	–	31,322
Issue of shares upon exercise of share options	431	–	–	–	(97)	–	–	334
Recognition of equity component of convertible bonds	–	–	310,819	–	–	–	–	310,819
Deferred tax liabilities on recognition of equity component of convertible bonds	–	–	(24,593)	–	–	–	–	(24,593)
Issue of shares upon conversion of convertible bonds	656,821	–	(291,808)	–	–	–	–	365,013
Release of deferred tax liabilities on conversion of convertible bonds	–	–	23,118	–	–	–	–	23,118
Issue of shares by top-up placement and subscription	73,811	–	–	–	–	–	–	73,811
Transaction costs attributable to issue of shares by placement	(1,187)	–	–	–	–	–	–	(1,187)
At 31 December 2018 and 1 January 2019	1,585,239	123,758	17,536	(550)	51,631	(767)	(737,585)	1,039,262
Loss for the year	**–**	**–**		**–**	**–**	**–**	**(93,369)**	**(93,369)**
Other comprehensive expense for the year								
Fair value loss on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**(160,030)**	**–**	**–**	**–**	**(160,030)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(160,030)**	**–**	**–**	**(93,369)**	**(253,399)**
Transfer of share option reserve upon lapse of share options	**–**	**–**	**–**	**–**	**(24,257)**	**–**	**24,257**	**–**
At 31 December 2019	**1,585,239**	**123,758**	**17,536**	**(160,580)**	**27,374**	**(767)**	**(806,697)**	**785,863**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 6/F, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong.

The Company and its subsidiaries (the "Group") are principally engaged in the provision of financial services and proprietary trading.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of the annual results for the year ended 31 December 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course.

The Company's auditors have reported on the consolidated financial statements of the Group for both years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.375% per annum.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 *HK$'000*	Impact on adoption of HKFRS 16 *HK$'000*	**Carrying amount as restated at 1 January 2019** *HK$'000*
Right-of-use assets	(a), (b)	–	13,622	**13,622**
Prepayments, deposits and other receivables	(b)	22,429	(442)	**21,987**
Lease liabilities	(a)	–	(13,180)	**(13,180)**

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease at the date of initial application of HKFRS 16.

(b) Prepaid rental of approximately HK$442,000 as at 31 December 2018 was adjusted to right-of-use assets.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follows:

	Carrying amount as restated at 1 January 2019 *HK$'000*
Operating lease commitment disclosed as at 31 December 2018	**16,665**
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(2,485)**
	14,180
Discounted using the applicable incremental borrowing rate at the date of initial application and lease liabilities recognised as at 1 January 2019	**13,180**

	Carrying amount as restated at 1 January 2019
	HK$'000
Analysed as:	
Non-current portion	**8,914**
Current portion	**4,266**
	13,180

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term lease.

New and amendment to HKFRSs issued but not yet effective

The Group had not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND OTHER INCOME

Revenue principally arises from the financial services business comprising the provision of securities, futures and options brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, mergers and acquisitions services, and other corporate finance related advisory services, and proprietary trading.

Revenue

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
– Brokerage commission and other related fees from dealing in securities and futures and options contracts	**11,786**	18,185
– Underwriting, sub-underwriting, placing and sub-placing commission	**1,339**	360
– Arrangement, referral, advisory and other fee income	**11,786**	14,753
	24,911	33,298
Revenue from other sources		
– Interest income from clients	**23,188**	17,176
– Dividend income from listed equity securities	**1,111**	–
	24,299	17,176
	49,210	50,474

Disaggregation of revenue from contracts with customers by timing of recognition

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**15,128**	22,719
Over time	**9,783**	10,579
	24,911	33,298

Other income

	2019	2018
	HK$'000	*HK$'000*
Interest income from authorised institutions	**702**	733
Interest income from convertible bonds	**3,105**	3,013
Total interest income	**3,807**	3,746
Sundry income	**285**	312
	4,092	4,058

5. SEGMENT INFORMATION

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group operates financial services and proprietary trading businesses and classifies its business into five operating segments, namely brokerage and financing businesses, corporate finance and other advisory services, asset management, insurance brokerage and proprietary trading and reports to the Group's Executive Committee (being the Group's Chief Operating Decision Maker) accordingly. Details of these five (2018: four) operating and reportable segments are summarised as follows:

(i) the brokerage and financing segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, and placing and underwriting services;

(ii) the corporate finance and other advisory services segment engages in the provision of corporate financial advisory services and company secretarial services;

(iii) the asset management segment engages in the provision of asset management services;

(iv) the insurance brokerage segment engages in provision of insurance brokerage services; and

(v) the proprietary trading segment engages in the trading of equity securities, debt securities and other financial products.

The following tables presented revenue and results of these reportable and operating segments for the years ended 31 December 2019 and 2018.

Year ended 31 December 2019

	Brokerage and financing *HK$'000*	Corporate finance and other advisory services *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000* *(note)*	Proprietary trading *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	37,813	10,286	–	–	1,111	49,210	–	49,210
Intra-segment sales	55	1,912	–	–	–	1,967	(1,967)	–
	37,868	12,198	–	–	1,111	51,177	(1,967)	49,210
Segment profit (loss)	12,593	(2,784)	(1,601)	(484)	(28,434)	(20,710)	–	(20,710)
Unallocated administrative costs								(51,193)
Gain on acquisition of financial assets at FVTPL								3,167
Fair value change on financial assets at FVTPL								(20,161)
Impairment loss on interest in an associate								(5,000)
Share of loss of an associate								(63)
Loss before taxation for the year								(93,960)

Note: Insurance brokerage services were commenced during the year ended 31 December 2019 as a result of a subsidiary. Therefore, a new segment of insurance brokerage services was in the current year.

Year ended 31 December 2018

	Brokerage and financing *HK$'000*	Corporate finance and other advisory services *HK$'000*	Asset management *HK$'000*	Proprietary trading *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	36,721	13,753	–	–	50,474	–	50,474
Intra-segment sales	511	540	–	–	1,051	(1,051)	–
	37,232	14,293	–	–	51,525	(1,051)	50,474
Segment profit (loss)	4,572	(2,208)	(1,539)	(146,369)	(145,544)	–	(145,544)
Unallocated administrative costs							(115,327)
Loss on acquisition of financial assets at FVTPL							(47,436)
Fair value change on financial assets at FVTPL							(177,657)
Share of loss of an associate							(11)
Loss before taxation for the year							(485,975)

Segment profit or loss represents the profit earned by/loss from each segment, before the deduction of unallocated administrative costs, fair value change on financial assets at FVTPL, gain (loss) on acquisition of financial assets at FVTPL, impairment loss on interest in an associate and share of loss of an associate. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

No single customer contributed 10% or more of the Group's revenue for both 2019 and 2018. The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue from external customers is mainly derived from Hong Kong for both 2019 and 2018. Almost all of its non-current assets are attributed to the operations in Hong Kong.

Segment assets and liabilities are not presented as they are not regularly provided to the Group's Executive Committee.

6. OTHER LOSSES

	2019	2018
	HK$'000	*HK$'000*
Loss on disposal of property and equipment	**166**	149
Net exchange loss	**16**	58
	182	207

7. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019	2018
	HK$'000	*HK$'000*
Staff commission	**1,937**	5,846
Salaries and wages	**33,858**	47,120
Termination benefit	**148**	5,335
Staff welfare	**1,548**	2,244
Recruitment costs	**11**	354
Provision of long service payment/annual leave benefits	**237**	463
Retirement benefits scheme contributions	**924**	1,263
Discretionary and performance related incentive payments and provision of gratuity	**1,942**	1,651
Equity-settled share option expense	**–**	19,770
	40,605	84,046

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
Convertible bonds issued	**3,248**	21,203
Bank loans and overdrafts	**11**	79
Lease liabilities	**701**	–
	3,960	21,282

9. INCOME TAX (CREDIT) EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	914
The People's Republic of China ("PRC") Enterprise Income Tax	**47**	45
Under (over) provision in prior year		
Hong Kong Profits Tax	**(20)**	(29)
PRC Enterprise Income Tax	**4**	(8)
Deferred tax		
Current year	**(622)**	(581)
	(591)	341

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2019, no entities were qualified under two-tiered profits tax rates regime. No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the year ended 31 December 2019.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% from 1 January 2008 onwards.

Pursuant to the rules and regulation of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in this jurisdiction.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Included in other operating expenses:		
Auditor's remuneration	**1,080**	1,080
Depreciation of property and equipment	**3,304**	2,108
Depreciation for right-of-use assets	**6,047**	–
Expenses relating to short term leases	**4,593**	–
Operating lease rentals in respect of rental premises	**–**	10,710
Entertainment and travel expenses (mainly incurred for business development)	**6,017**	9,220

11. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the years ended 31 December 2019 and 2018.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(93,369)**	(486,316)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,230,952**	985,197

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share for the years ended 31 December 2019 and 2018.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both 2019 and 2018.

13. PROPERTY AND EQUIPMENT

	2019 *HK$'000*	2018 *HK$'000*
Carrying value, beginning of the year	**2,844**	4,704
Additions	**7,044**	869
Depreciation	**(3,304)**	(2,108)
Written off/Disposal	**(669)**	(621)
Carrying value, end of the year	**5,915**	2,844

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2019 *HK$'000*	2018 *HK$'000*
Unlisted equity securities designated as at FVTOCI *(notes a & b)*	**47,054**	207,084
Analysed for reporting purpose as non-current assets	**47,054**	207,084

Notes:

(a) On 8 June 2018, the Company issued convertible bonds with 2% coupon rate at a total principal value of HK$160,000,000 to an independent third party, CVP Financial Group Limited, as the consideration of the acquisition of 18% of the entire equity securities issued by Hackett Enterprises Limited, a private entity incorporated in the Republic of Seychelles, which, together with its subsidiaries, is engaged in the business of provision of loan financing and financial consultancy services in the PRC and the provision of money lending services in Hong Kong.

According to the valuation as at 31 December 2019 by an independent professional valuer, the fair value of the equity securities was approximately HK$47,054,000, a fair value loss of approximately HK$160,030,000 was recognised under the other comprehensive income.

(b) The amount also includes the Group's investments in 5% and 5% of the unlisted equity securities issued by two private entities incorporated in Hong Kong and the British Virgin Islands respectively. Their principal activities are investment holding in the PRC and operation of restaurants in Hong Kong respectively. The fair value of both investments were approximately to HK$ Nil as at 31 December 2019 and 31 December 2018.

(c) This investment in equity securities is not held-for-trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

Details of financial assets at FVTPL are set out as follows:

	2019	2018
	HK$'000	*HK$'000*
Financial assets mandatorily measured at FVTPL		
Convertible bonds *(note a & b)*	**297,087**	304,081
Listed equity securities listed in Hong Kong	**162,138**	240,282
	459,225	544,363
Analysed for reporting purpose:		
– Non-current assets	**13,358**	304,081
– Current assets	**445,867**	240,282
	459,225	544,363

Notes:

(a) On 18 October 2017, the Company entered into a sale and purchase agreement with Pacific Alliance Limited ("PAL") as vendor, pursuant to which the Company agreed to purchase, and PAL agreed to sell, the 3-year 2%, unsecured redeemable convertible bonds with the principal amount of HK$153,585,000 issued by China Fortune Financial Group Limited ("China Fortune", Stock Code: 290) on 30 March 2017 (the "China Fortune Convertible Bonds") for an aggregate consideration of HK$400,000,000 (the "Acquisition"). The consideration of HK$40,000,000 was satisfied in cash and the balance of the consideration of HK$360,000,000 was satisfied by way of issue of the convertible bonds by the Company at the completion date of the Acquisition. The China Fortune Convertible Bonds are convertible into 2,559,750,000 conversion shares of China Fortune at the initial conversion price of HK$0.06 per conversion share (subject to adjustments). The Acquisition was completed on 8 January 2018. The China Fortune Convertible Bonds were classified as financial assets at fair value through profit or loss and measured at fair value at initial recognition and at the end of each reporting period.

In return for the Company's undertaking to China Fortune that the Company shall not exercise the conversion rights attaching to the China Fortune Convertible Bonds from the completion date up to and including 29 March 2019, PAL grants to the Company a put option to require PAL to purchase from the Company the China Fortune Convertible Bonds to the extent of the principal amount of HK$76,792,500. Exercising the put option by partial disposal of China Fortune Convertible Bonds in 2020 have been disclosed in the section "Event after the reporting period" in this announcement.

The fair value of the China Fortune Convertible Bonds were approximately HK$283,729,000 (2018: HK$304,081,000) as at 31 December 2019 and was calculated using the binomial option pricing model ("Binomial Model") by an independent professional valuer in which the major parameters were summarised as follows:

	31 December 2018	**31 December 2019**
Share price of the issuer	HK$0.085	**HK$0.059**
Effective interest rate of the issuer	12%	**15%**
Risk free rate	1.73%	**2.16%**
Expected volatility of the issuer	45%	**42.75%**
Dividend yield of the issuer	0%	**0%**

The effective interest rate of the issuer was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the issuer. Risk free rate was determined with reference to yield of Hong Kong government bonds over the exercise period near the valuation dates of 31 December 2019 and 31 December 2018 respectively. Expected volatility of the issuer was determined using the historical volatility of the issuer's share price over the exercise period as at the valuation dates of 31 December 2019 and 31 December 2018 respectively.

(b) The Company had acquired a 3-year 2.5%, unsecured non-refundable convertible bonds issued by Asia Energy Logistics Group Limited ("Asia Energy", Stock code: 351) issued on 8 November 2019 for an amount of HK$10,000,000 at a consideration of HK$10,000,000. The initial conversion price of the convertible bonds is HK$0.30 per share. The transaction was completed on 14 November 2019. ("Asia Energy Convertible Bonds").

The fair value of the Asia Energy Convertible Bonds was approximately HK$13,167,000 as at the acquisition date and approximately HK$13,358,000 as at 31 December 2019 and was calculated using Binominal Model by an independent professional valuer in which the parameters were summarised as follows:

	14 November 2019	**31 December 2019**
Share price of the issuer	HK$0.395	**HK$0.4**
Effective interest rate of the issuer	12%	**12%**
Risk free rate	1.70%	**1.66%**
Expected volatility of the issuer	82%	**84%**
Dividend yield of the issuer	0%	**0%**

The effective interest rate of the issuer was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the issuer. Risk free rate was determined with reference to yield of Hong Kong government bonds over the exercise period near the valuation dates of 14 November 2019 and 31 December 2019 respectively. Expected volatility of the issuer was determined using the historical volatility of the issuer's share price over the exercise period as at the valuation dates of 14 November 2019 and 31 December 2019 respectively.

16. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions *(note a)*:		
Clearing house	**5,209**	763
Cash clients	**2,922**	15,821
Futures and options contracts transactions *(note a)*:		
Clearing house	**18**	17
	8,149	16,601
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services *(note a)*	**6,418**	5,673
Less: Impairment loss	**(450)**	–
	5,968	5,673
	14,117	22,274
Accounts receivable arising from the ordinary course of business of money lending services *(note b)*	**114,072**	60,552
Less: Impairment loss	**(31,432)**	(40,469)
	82,640	20,083
Accounts receivable arising from the ordinary course of business of dealing in *(note c)*:		
Securities transactions:		
Margin clients	**148,545**	131,157
Less: Impairment loss	**(21,622)**	(5,587)
	126,923	125,570
	223,680	167,927

The Group measures the loss allowance for accounts receivable at an amount equal to 12-month ECL or lifetime ECL. The expected credit losses on accounts receivable are estimated using a provision matrix on those under simplified approach with reference to past default experience of the accounts receivable, adjusted for factors that are specific to the accounts receivable, latest collateral valuation, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Notes:

(a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date. Accounts receivable from clearing house and majority of accounts receivable from cash clients represent trades pending settlement arising from the business of dealing in securities transactions.

In respect of the accounts receivable arising from dealing in securities, futures and options contracts, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**7,743**	16,158
31 – 90 days	**53**	101
Over 90 days	**353**	342
	8,149	16,601

The settlement terms of accounts receivable arising from provision of corporate finance and other advisory services are normally due immediately from date of billing but the Group may grant a credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**1,716**	2,859
31 – 90 days	**786**	1,387
Over 90 days	**3,466**	1,427
	5,968	5,673

(b) As at 31 December 2019, accounts receivable arising from money lending services bear fixed-rate interest of 1.5% per month or 12% per annum (2018: 1.5% per month or 12% per annum). The accounts receivable had remaining contractual maturity date falling within one year as at the end of each reporting period. As at 31 December 2019, accounts receivable with net carrying amount of approximately HK$44 million (2018: HK$3 million) were secured by the client's listed securities.

The Group has taken all necessary legal actions to follow up the outstanding loan. During 2019, one of the clients which default in 2018 had settled a full outstanding amount of HK$13,000,000 for his total outstanding principal and accrued interest in accordance with the settlement terms as mutually agreed by the Group and the client. As such, the reversal of impairment loss of approximately HK$10,000,000 was recognised in profit or loss for the year ended 31 December 2019.

(c) The accounts receivable due from margin clients of approximately HK$148,545,000 (2018: HK$131,157,000) were secured by the clients' pledged listed securities which carried at a fair value of approximately HK$401,856,000 (2018: HK$507,690,000). The management of the Group has assessed the market value of pledged listed securities of each individual customer that has margin shortfall as at the end of each reporting period and considered that no impairment allowance is necessary.

Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited. The collateral held can be re-pledged up to 140% of the margin receivable amounts and the corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Accounts receivable due from margin clients are repayable on demand and bear interest at commercial rates.

As at 31 December 2019, an impairment of approximately HK$21,622,000 (2018: HK$5,587,000) was recognised in respect of the accounts receivable due from six margin clients of approximately HK$34,645,000 (2018: a margin client of HK$18,585,000) and secured by the pledged list securities which carried at a fair value of approximately HK$12,937,000 (2018: HK$12,800,000).

17. ACCOUNTS PAYABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house	–	23,313
Cash clients	**16,053**	973
Margin clients	**178**	104
	16,231	24,390

Accounts payable to clearing house represent trades pending settlement arising from dealing in securities which are usually due within two trading days after the trade date.

The accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trade pending settlement which are usually due within two trading days after the trade date or deposits received from clients for their securities dealing activities. Only the excessive amounts over the required deposits stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

18. SHORT-TERM BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured and guaranteed	–	40,000

As at 31 December 2018, the short-term bank borrowings, which were secured by pledged bank deposits and the Company's corporate guarantee, bore an interest rate at the bank's cost of funding plus 2% per annum.

As at 31 December 2019, the Group did not maintain any banking facilities.

As at 31 December 2018, the Group has unused banking facilities of HK$60,000,000, including an amount of HK$50,000,000 for short-term money market loan for margin financing business and an amount of HK$10,000,000 for drawings against uncleared cheques.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") for the year ended 31 December 2019, which were contained in Appendix 14 of the Listing Rules, with the deviation mentioned below:

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors of the Company are not appointed for specific term. However, under the Article 97 of the Articles of Association of the Company (the "Articles of Association"), all Directors, including non-executive Directors, are subject to retirement by rotation and reelection in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders, and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

The Company has set up the following board committees to ensure maintenance of a high corporate governance standard:

a. Executive Committee;
b. Audit Committee;
c. Remuneration Committee; and
d. Nomination Committee.

The terms of reference of all the aforesaid board committees are given at the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors of the Company, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Wong Kam Choi, Kerry, MH and Mr. Siu Miu Man, Simon, MH. The primary duties of the Audit Committee are to (i) review the Group's financial statements and published reports; (ii) provide advice and comments thereon to the Board; and (iii) review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's consolidated financial statements and results for the year ended 31 December 2019 and satisfied that these have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the year ended 31 December 2019.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or brought back any of the Company's listed securities.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's Annual Report for the year ended 31 December 2019 (the "2019 Annual Report") will be available on the same websites and will be dispatched to the Company's shareholders in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2019 will be held in May 2020. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2019 Annual Report in due course, which will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Tin Ka Pak, Timmy and Mr. Lin Hoi Kwong, Aristo; and three Independent Non-executive Directors, namely, Mr. Wong Chung Kin, Quentin, Mr. Wong Kam Choi, Kerry, MH and Mr. Siu Miu Man, Simon, MH.

By Order of the Board of
Value Convergence Holdings Limited
Fu Yiu Man, Peter
Chairman & Executive Director

Hong Kong
26 March 2020