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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 2020

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 2020 together with the audited comparative figures of the corresponding period in 2019.

FINANCIAL HIGHLIGHTS

The Group’s consolidated revenue for the year ended 31 December 2020 amounted to approximately HK\$77.9 million, which increased by about 58% as compared with the same period in 2019.

The Group recorded a consolidated loss attributable to owners of the Company amounted to approximately HK\$31.7 million for the year ended 31 December 2020 against a loss of approximately HK\$93.4 million for the same period in 2019, representing a decrease of about 66%.

CHAIRMAN’S STATEMENT

Following 2019 social turmoil in the city and interminable China-US trade war, the already ailing economy suffered another setback due to the COVID-19 pandemic in 2020. Fortunately, the pandemic only has a mild impact on the US and Hong Kong stock markets. The Hang Seng Index (“HSI”) surged from the bottom to around 26,800 points at one time after it nosedived to 21,139 points from a high of 29,174 points at the first quarter of 2020. Driven by the return of China concepts stocks and frequent record highs of new economy sectors, stock turnover stayed at a high level. Benefitting from this, the securities firms saw increasingly better results and created a miracle in the market.

In 2020, the COVID-19 pandemic was raging and swept across the world. The pandemic cast a deep gloom over Hong Kong, mainland China and the rest of the world, with rising confirmed cases and death toll. The global pandemic still ravages the world in the fourth quarter of last year. Lots of anti-pandemic efforts have been made, including working from home, banning parties and practising social distancing. The impact it caused are staggering. The retail, tourism, hospitality, aviation and shopping malls bore the brunt of the blow, and the knock-on effects spread to all walks of life. Industries are in a slump. The unemployment rate increased to a 16-year high of 6.6% in the fourth quarter in 2020. Due to internal and external factors, Hong Kong’s 2020 GDP contracted 6.1% from a year earlier. If the pandemic worsens again, the road to recovery will be far away.

On the contrary, the pandemic situation in mainland China has greatly improved due to strict control on people mobility in all provinces and municipalities. Compared with other countries, China has demonstrated the strong resilience and recovery of the country’s economy during 2020.

The global economy and financial markets remain uncertain this year as the pandemic has yet to be brought under control, however, the application of vaccine bring hope to us. As all countries should give the top priority to reviving their economies by taking trillions of dollars of relief measures and vigorously introducing loose fiscal and monetary policies to ease the liquidity crunch, which will help resume economic growth.

Although the market was volatile due to above-mentioned uncertainties, as investors had spare time and idle money, otaku economy appeared and online shopping prevailed, which has created a growing demand for online investment. Lots of investors were enthusiastic about IPO subscriptions and kept an eye on new economy stocks for investment opportunities. The market turnover was very active. In addition, as many countries implemented loose monetary policies and injected a massive amount of funds into the market, bank balance in Hong Kong surpassed HK\$450 billion and inflows of northbound capital and foreign capital sent stock turnover high.

Due to the tense relationship between the US and China in recent years, the business activities of Chinese enterprises have been limited, and they are even under pressure from possible suppression or sanctions. As a result, more China concept stocks returned to Hong Kong for listing. This created an opportunity for the city's IPO market and enthusiasm was aroused. Despite a slight year-on-year decline of 3% in the number of new listed companies, the amount of funds raised through IPOs in Hong Kong increased during 2020, and this trend is expected to sustain.

The US presidential election takes place earlier, and stock market fluctuated surrounding the election time due to outburst of news and rumours. It's end with a new master in White house. In recent years, the conflicts between China and the US have intensified, with the two countries competing with each other in technology, economy, national defense, etc. They both strive to become the "world's No. 1 power". Therefore, no matter Joe Biden becomes the President of the United States of this term, the United States is expected to take a tough stance towards China in the coming years. At the same time, in a bid to save their economy hit hard by the pandemic, governments tend to adopt quantitative easing monetary policy. This has increased the financial risk to the staggering global economy. Investors should be prepared for a turbulent global economy this year.

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
30 March 2021

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, and extended into healthcare industry in year 2020. 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.

Further, VC Group tapped into the healthcare market by entering into the joint venture agreement and the license agreement as disclosed in the Company's announcement dated 24 July 2020.

BUSINESS REVIEW

During the year, the global economy faced severe headwinds arising from the COVID-19 pandemic, which resulted in disruptions to business activities around the world and rising concerns about major economies slipping into recession. Industrial and trading activities became sluggish, while financial markets remained volatile. Various countries suffered from economic contraction, negative impacts on household income gradually surfaced, and borrowers' ability to repay loans was affected.

On the other hand, being one of the most important financial centres for global financial markets, Hong Kong remained an important gateway connecting China and the world. During the year, the return of China concepts stocks to Hong Kong stock market has contributed to the increase in the stock market turnover. The average daily turnover value of Stock Connect Northbound and Southbound also achieved record in 2020. In addition, under the Linked Exchange Rate System in Hong Kong, the interest rate has been decreasing during the year, providing a positive environment for the investment and property market. Nevertheless, with a bearish market sentiment and a gloomy economic outlook, the Hang Seng Index dropped from 28,189 points on 31 December 2019 and closed at 27,147 points on 31 December 2020.

Securities firms in Hong Kong are also having a hard time. Following 22 securities firms ceased operation in 2019, another over 30 securities firms had the same fate during 2020. In the face of both local and global issues, capital market sentiment has inevitably been impacted.

The Group adheres to its proactive operating model by adopting a cautious and prudent strategy involving both offensive and defensive tactics in all market conditions. The Group also put tremendous efforts in optimizing and perfecting its online trading platforms.

As a financial services provider, the business performances 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.

During the year, the Group stepped into the healthcare market by entering to joint venture agreement and license agreement with Vast Sea, LLC. The core product is named AVL-19, which is the given name of both the formulation and product of the dietary supplement designed to fight against COVID-19.

AVL-19 formulation is based on nucleotides and polypeptides, which are naturally occurring molecules in the human body as opposed to asynthetic chemical drugs or man-made antibodies with unknown toxicity profiles.

Certain quantities had been successfully sold in the United States of America and Hong Kong during the year. It tallies with the Group's business strategies to enlarge revenue base of the Group by tapping into new emerging markets with expanded business initiatives and explore business opportunities.

Major transaction in relation to disposal of China Fortune convertible bonds

On 18 October 2017, it was announced that the Company, Pacific Alliance Limited (“PAL”) and Mr. Yip Sum Yin and Mr. Chung Chi Shing, Eric as warrantors entered into a sale and purchase agreement (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 conversion shares issued by China Fortune Financial Group Limited (“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 (the “Put Option”) to require PAL to purchase from the Company the relevant convertible bonds (“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 (“Put Option Price”) of HK\$200,000,000, 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 (“Put Option Period”) on the condition set out in the Company’s circular dated 7 December 2017.

On 24 January 2020, the Company announced 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 pursuant to the Put Option 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 (“CFFG CB Instrument”).

The consideration (“Consideration”), equal to the Put Option Price, shall be HK\$200,000,000. The Consideration shall be satisfied by PAL in accordance with the following time, mode and manner:

- (a) PAL shall, forthwith upon the execution of the agreement, pay to the Company HK\$15,000,000 as deposit, which shall be utilised for partial settlement of the consideration at completion;
- (b) PAL shall pay to the Company an additional sum of HK\$81,400,000 for further part payment of the Consideration at completion (the “Further Payment”), and this Further Payment shall be settled and discharged by the Company’s utilising HK\$81,400,000, being half of the amount (inclusive of the entire principal amount and all interest accrued thereon in accordance with the CFFG CB Instrument) remitted to the Company by CFFG for redemption of the CFFG CB on the maturity date (which falls on the same date as the completion date) to off-set against the Further Payment in entirety; and

- (c) Balance of the Consideration in the sum of HK\$103,600,000 shall be settled and discharged by PAL in cash in accordance with the schedule as disclosed in the Company's announcement dated 24 January 2020.

Details of the transaction is disclosed in the Company' announcements dated 24 January 2020, 18 February 2020, 3 March 2020, 19 March 2020, 14 April 2020 and the Company's circular dated 2 March 2020.

Acquisition of 20% equity interest in Speedy Billion Holdings Limited

On 28 February 2020, Filled Start Limited, an indirectly wholly owned subsidiary of the Company, completed an acquisition of 20% equity interest in Speedy Billion Holdings Limited ("Speedy Billion"), at a cash consideration of HK\$360,000. Speedy Billion is engaged in the catering business under the brand "筷晶會".

Disposal of entire holding of 30% equity interest in Telebox Technology Group 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 (“Mr. Chen”), an independent third party, to dispose its entire holding of 30% equity interest in Telebox Technology Holdings Limited, at a cash consideration of HK\$5,000,000. During the six months ended 30 June 2020 (being the long stop date), deposit of HK\$1,000,000 was received. On 20 October 2020, Initial Honour entered into a supplemental sale and purchase agreement, pursuant to which the long stop date was extended to 30 June 2021 on the condition that Mr. Chen shall further deposit HK\$1,000,000 on or before 10 February 2021. The further deposit was made before that date.

Acquisition of 32% equity interest in China Bloom International Limited

On 7 May 2020, VC Capital Management Limited, a wholly owned subsidiary of the Company, entered into a memorandum of understanding with Mr. Chan Leung, an independent third party, to acquire 16% equity interest in China Bloom International Limited (“China Bloom”) at a cash consideration of HK\$9,800,000. The principal asset of China Bloom consisted of a residential property in Hong Kong with market value of approximately HK\$68 million. As at the date hereof, HK\$7,000,000 had been paid as deposit.

On 26 August 2020, VC Capital Management Limited, a wholly owned subsidiary of the Company, entered into another memorandum of understanding with Mr. Chan Leung to acquire further 16% equity interest in China Bloom at a cash consideration of HK\$9,800,000. As at the date hereof, HK\$4,000,000 had been paid as deposit.

On 30 November 2020, VC Capital Management Limited entered into the third memorandum of understanding with Mr. Chan Leung to extend the long stop date of the completion of acquisition of the aggregate 32% equity interest in China Bloom from 30 November 2020 to 31 May 2021.

Issue of convertible bond by a wholly owned subsidiary of the Company

On 9 July 2020, VC Global Investments Limited (“VC Global”), a wholly owned subsidiary of the Company, completed an issue of convertible bonds in the principal amount of US\$40,000 to Mr. Wu Jian. The convertible bonds are of 3-year maturity on 8 July 2023 with zero coupon and convertible into 40 conversion shares at the conversion price of US\$1,000 per conversion share. If the conversion rights are exercised in full, the new shares of VC Global to be issued and allotted shall represent 40% of the entire portfolio of enlarged equity interests in VC Global.

The convertible bonds were issued for the purpose of raising general working capital of its contemplated investment in the multi-peptide formula AVL-19, which is useful in supplementing human vitamin needs and effective in supporting human immune system and thereby helpful for anti-viral infection.

Acquisition of convertible bonds issued by IBO Technology Company Limited

On 20 July 2020, the Company completed the acquisition of convertible bonds (“IBO Convertible Bonds”) issued by IBO Technology Company Limited (Stock code: 2708) in the principal amount of HK\$5,760,000 from Mr. Lam Shu Chung, an independent third party, at a cash consideration of HK\$6,816,000. The IBO Convertible Bonds has coupon rate of 7.5% and will mature on 3 April 2022. Based on fair value assessment prepared an independent valuer, its fair value amounted to approximately HK\$10,795,000 and therefore gain on acquisition of approximately HK\$3,979,000 was recorded upon completion of acquisition. As at 31 December 2020, the fair value assessed by the same independent valuer was approximately HK\$8,665,000. As such, fair value change on financial assets at fair value through profit or loss of approximately HK\$2,130,000 was recorded for the year ended 31 December 2020.

Placing of new shares under general mandate, placing of convertible bonds under specific mandate, entering into joint venture agreement and license agreement with Vast Sea, LLC

On 24 July 2020, the Company entered into the share placing agreement (the “Share Placing Agreement”) with VC Brokerage Limited (the “Placing Agent”), an indirectly wholly owned subsidiary of the Company, pursuant to which the Company was desirous of offering the placing shares (the “Placing Shares”) free from any encumbrance whatsoever for subscription and appointed the Placing Agent on sole and exclusive basis to place and procure subscriptions for the Placing Shares on a best effort basis subject to the terms and conditions set out in the Share Placing Agreement. The Placing Agent shall procure not less than six Share Placing places to subscribe for up to 246,000,000 Placing Shares at a price of HK\$0.2 per Placing Share. The maximum of 246,000,000 Placing Shares represent (i) approximately 19.98% of the aggregated number of the issued Share as at the date of the Share Placing Agreement; and (ii) approximately 16.66% of the aggregated number of issued Shares as enlarged by the issue of the 246,000,000 Placing Shares as at the date of the Share Placing Agreement. Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Share Placing will be approximately HK\$49.2 million and the Company intends to use the net proceeds of approximately HK\$48.2 million from the Share Placing for (i) general working capital as to approximately HK\$33,200,000, among which as to approximately HK\$10,000,000 will be used for operating expenses including but not limited to rental and salary expenses, approximately HK\$11,200,000 will be used for provision of margin loan and approximately HK\$12,000,000 will be used for the money lending business of the Group; and (ii) possible business development in relation to the JV Agreement (defined below) and the License Agreement (defined below) as to approximately HK\$15,000,000. On 25 August 2020, the Share Placing was completed and 246,000,000 new Shares were issued and allotted on that date. Further details of the Share Placing are set out in the Company’s announcements dated 24 July 2020, 29 July 2020 and 25 August 2020, respectively.

On 24 July 2020, the Company entered into the agreement (“CB Placing Agreement”) for the placing of convertible bonds (“CB Placing”) with the Placing Agent, pursuant to which the Company proposed to offer for subscription, and the Placing Agent had agreed to procure subscriptions for, the convertible bonds (the “Convertible Bonds”) on a best effort basis on the terms and subject to the conditions set out in the CB Placing Agreement. The Placing Agent shall procure not less than six CB Placing places to subscribe for the Convertible Bonds in the principal amount of up to HK\$52,000,000. In the case of the conversion rights having been exercised in full at the initial conversion price of HK\$0.2, a maximum of 260,000,000 new Shares to be allotted and issued by the Company, representing (i) approximately 21.12% of the aggregated number of the issued Share as at the date of the CB Placing Agreement; and (ii) approximately 17.44% of the aggregated number of issued Shares as at the date of the CB Placing Agreement as enlarged by the issue of 260,000,000 conversion shares (assuming there is no other change in the issued share capital of the Company between the date of the CB Placing Agreement and the full conversion of the Convertible Bonds). Assuming all the Convertible Bonds are successfully placed by the Placing Agent, the gross proceeds from the CB Placing will be approximately HK\$52.0 million and the Company intends to use the net proceeds of approximately HK\$50.2 million from the CB Placing for (i) general working capital as to approximately HK\$35,200,000, among which as to approximately HK\$11,200,000 will be used for provision of margin loan and approximately HK\$24,000,000 will be used for money lending business of the Group; and (ii) possible business development in relation to the JV Agreement (defined below) and the License Agreement (defined below) as to approximately HK\$15,000,000. The CB Placing took place on 6 November 2020. Further details of the CB Placing are set out in the Company’s announcements dated 24 July 2020, 29 July 2020 and 6 November 2020 and the Company circular dated 1 September 2020, respectively.

On 17 July 2020, VC Global Investments Limited, a wholly owned subsidiary of the Company (“VC Global”), entered into the joint venture agreement (the “JV Agreement”) with Vast Sea, LLC (“Vast Sea”) and Success Health Global Limited, a then indirect wholly own subsidiary of the Company (“Success Health”), pursuant to which VC Global, and Vast Sea have agreed to establish a joint venture vehicle, being Success Health, to carry on and conduct the business of relevant commercial application of an invention (the “Invention”). The Invention is in relation to a formula for a dietary supplement (the “AVL-19”) which contains a novel compound developed by Vast Sea (the “Core Ingredients”), Vitamins C, B6, B12, D3, Zinc, L-Arginine and N-Acetyl Cysteine, one delivery mechanism for which is a dissolvable tablet. Vast Sea believe that AVL-19 and the Core Ingredients have the potential to support the human immune system consistent with the benefits associated with dietary supplements. In June 2020, Vast Sea applied for and obtained a provisional patent registration from the United States Patent and Trademark Office with respect to the Invention, as evidenced by provisional patent registration number 63/041,587 for composition and methods for treating COVID-19 (the “Patent”).

On 17 July 2020, Success Health entered into a license agreement (the “License Agreement”) with Vast Sea, pursuant to which Success Health desires to market and sell the Core Ingredients in the form of AVL-19 and develop potential alternative uses and applications for the Core Ingredients while Vast Sea desires for Success Health to have the sole legal right to manufacture, sublicense and market and sell worldwide the Core Ingredients in the form of AVL-19 and to develop potential alternative uses and applications for the Core Ingredients through Success Health and its affiliates. Pursuant to the License Agreement, Vast Sea, being the sole legal and beneficial owner of the tangible embodiments of the Invention, is ready and willing to license the Patent exclusively to Success Health under and in accordance with the License Agreement.

For details of the transactions, please refer to the Company’s announcements dated 24 July 2020 and 29 July 2020.

Grant of call options to the Company

The Call Option Agreement I

On 1 December 2020, the Company entered into a call option agreement with the Grantor I (being Vast Sea Biotechnology, Inc.), pursuant to which the Company was desirous of acquiring 49 shares of Success Health Global Limited (“Success Health”), representing 49% of the entire portfolio of Success Health (the “Call Option Shares I”) or a certain portfolio thereof from the Grantor I, and the Grantor I was desirous of granting the call option to the Company to purchase up to 49 Call Option Shares 1.

Exercise price

In consideration of the Company’s payment of HK\$1 to the Grantor I the receipt of which was acknowledged, the Grantor I irrevocably granted to the Company the right to require the Grantor I to sell and transfer the Call Option Shares I or any part thereof to the Company, at such an amount to be paid by the Company to the Grantor I (or its nominee) for the Call Option Shares I or any portfolio thereof, which shall be equivalent to 90% of the valuation of Success Health as at the date of the Sale and Purchase Agreement I (being a formal sale and purchase agreement for regulating and governing the Company’s acquisition of the Call Option Shares I or the corresponding portfolio thereof from the Grantor I) as assessed and determined by professional valuer(s) appointed or retained by the Company attributable to the ascertained portfolio of the Call Option Shares I.

The Call Option Agreement II

On 1 December 2020, the Company entered into a call option agreement with the Grantor II (being Main Dynasty International Limited), pursuant to which the Company was desirous of acquiring up to 300,000 shares of Vast Sea, representing 30% of the entire portfolio of Vast Sea (the “Call Option Shares II”) or a certain portfolio thereof from the Grantor II, and the Grantor II was desirous of granting the call option to the Company to purchase up to 300,000 Call Option Shares II.

Exercise price

In consideration of the Company's payment of HK\$1 to the Grantor II the receipt of which was acknowledged, the Grantor II irrevocably granted to the Company the right to require the Grantor II to sell and transfer the Call Option Shares II or any part thereof to the Company, at such an amount to be paid by the Company to the Grantor II (or its nominee) for the Call Option Shares II or any portfolio thereof, which shall be equivalent to 90% of the valuation of Vast Sea as at the date of the Sale and Purchase Agreement II (being a formal sale and purchase agreement for regulating and governing the Company's acquisition of the Call Option Shares II or the corresponding portfolio thereof from the Grantor II) as assessed and determined by professional valuer(s) appointed or retained by the Company attributable to the ascertained portfolio of the Call Option Shares II.

The Call Option Agreement III

On 1 December 2020, the Company entered into a call option agreement with the Grantor III (being Li, Jennifer Chun Jiang), pursuant to which the Company was interested in acquiring up to 300,000 shares of Vast Sea, representing 30% of the entire portfolio of Vast Sea (the "Call Option Shares III") or a certain portfolio thereof from the Grantor III after the Grantor III has completed a transaction in relation to the acquisition of an aggregate of 300,000 shares of Vast Sea from the existing shareholders of Vast Sea (the "Transaction"), and the Grantor III was desirous of granting the call option to the Company to purchase up to 300,000 Call Option Shares III.

Exercise price

In consideration of the Company's payment of HK\$1 to the Grantor III the receipt of which was acknowledged, the Grantor III irrevocably granted to the Company the right to require the Grantor III to sell and transfer the Call Option Shares III or any part thereof to the Company, at such an amount to be paid by the Company to the Grantor III (or its nominee) for the Call Option Shares III or any portfolio thereof, which shall be equivalent to 90% of the valuation of Vast Sea as at the date of the Sale and Purchase Agreement III (a formal sale and purchase agreement for regulating and governing the Company's acquisition of the Call Option Shares III or the corresponding portfolio thereof from the Grantor III) as assessed and determined by professional valuer(s) appointed or retained by the Company attributable to the ascertained portfolio of the Call Option Shares III.

For details of the transaction, please refer to the Company's announcement dated 1 December 2020.

Entering into the sub-licence agreement

On 17 December 2020, Vast Sea Biotechnology, Inc. (successor in interest to Vast Sea) (and Vast Sea, interchangeably the “Licensor”), the Licensee, and Hopkins Biotech Company (a company incorporated in the United States of America) (the “Sub-Licensee”) (collectively, the “Parties”) entered into a sub-licence agreement (the “Sub-Licence Agreement”), pursuant to which the Licensee sub-licence certain procedures in relation to the Licence to the Sub-Licensee (the “Sub-Licensing”).

Grant of Rights

Pursuant to the Sub-Licence Agreement, under the supervision of the Licensor, the Licensee may sub-licence to the Sub-Licensee during the Sub-Licensing Period (as defined below):

- (a) the sole and exclusive right to manufacture and produce two delivery mechanisms, namely, the eye-drop form and the tablet form of the tangible materials (the “Licensed Products”) which in the course of manufacture would be within the scope of one or more claims of the Patent (the “Relevant Product”) in the United States of America (“USA”) and the Sub-Licensed Territories (as defined below), and for avoidance of any doubt, the Relevant Product shall only be part of the Licensed Product; and
- (b) the sole and exclusive right to distribute and sell the Relevant Product to all countries in North America, European Union, Middle East and Arab League (the “Sub-Licensed Territories”).

Royalty Fee

The Sub-Licensee shall pay royalty to the Licensee for the Relevant Product, which royalty shall be equivalent to 5% of the sale price of the Relevant Product sold by the Sub-Licensee (the “Royalty”). The minimum amount of Royalty for the first 12 months period commencing on the Commencement Date (as defined below) shall be US\$3,000,000, and in the case of there being any shortfall, the Sub-Licensee shall make good the difference on dollar-to-dollar basis within the 13th month after the Commencement Date (as defined below), and likewise, the minimum amount of Royalty for the remaining 12 months period commencing on the anniversary of the Commencement Date (as defined below) shall also be US\$3,000,000, and in the case of there being any shortfall, the Sub-Licensee shall make good the difference on dollar-to-dollar basis within 25th month after the Commencement Date (as defined below). Any failure and/or refusal of the Sub-Licensee to make good any shortfall in Royalty for any Sub-Licensing Period (as defined below) shall be an event of default and shall result in non-extension of the relevant Sub-Licensing Period (as defined below).

Sub-Licensing Period

The period of the Sub-Licensing, which shall be for an initial fixed term commencing on the date when the toxicity test and in-vivo studies (In Vivo Pharmacokinetics (PK) Studies) have been duly completed to the satisfaction of the Licensor, Licensee and Sub-Licensee (the “Commencement Date”) and expiring on the second anniversary of the Commencement Date (both days inclusive). The initial Sub-Licensing period will be automatically renewed for a period of 12 months upon satisfaction or accomplishment of benchmarks and targets designated by the Licensee during the initial Sub-Licensing period (the “Sub-Licensing Period”). In case the Sub-Licensing Period shall not commence by 30 June 2021 or such later dates as the Parties may agree in writing, the Sub-Licence Agreement, notwithstanding that it has already been executed, shall become null and void forthwith.

Details of the transaction was disclosed in the Company’s announcement dated 17 December 2020.

Details of the Group’s business performance of each operating segment for the year ended 31 December 2020, together with the comparative figures of the corresponding period in 2019, are given in the section “FINANCIAL REVIEW” below.

OUTLOOK

Challenges which are yet to be resolved, the gloomy economic outlook and market instability are expected to remain and will continue to pose negative impacts to the economy. In view of the significant downward pressure on the economy, fiscal measures are being taken in various countries to mitigate the social and economic impacts. A certain period is anticipated for the market recovery.

In respect of the financial market, Hong Kong is still a vital link for access to China’s stock market. Hang Seng Index Company announced the details of enhancements to its flagship Hang Seng Index (‘HSI’) to ensure it remains the most representative and important benchmark of the Hong Kong stock market. Changes included (1) increasing the Number of Constituents to 100, (2) selecting the HSI Constituents by Seven Industry Groups, (3) relaxing the Listing History Requirement, (4) maintaining the Representation of Hong Kong Companies, and (5) Adopting a Weighting Cap of 8% on All HSI Constituents.

The new enhancements to the HSI will further increase its representation and make the Index more balanced and diversified. Building on HSI’s market history of more than 50 years, these enhancements will ensure that the Index remains the most important benchmark of the Hong Kong stock market and will continue to grow and evolve to keep pace with the market.

It is expected that more foreign-listed Chinese firms and Chinese new economy companies may consider list in Hong Kong, and the return of China concepts stocks will benefit the Hong Kong stock market in the long run as more global funds will be allocated to the Hong Kong market. In addition, development of the “Guangdong-Hong Kong-Macao Greater Bay Area” would bring more opportunities for Hong Kong as an international financial hub.

As regard the healthcare market, the successful sale occurred in the United States of America and Hong Kong provided confidence to the Group on the further optimization and development of AVL-19. With the gradual establishment of more diversified sales channel throughout different parties around the world, the Group is optimistic that this newly launched segment will be able to bring solid positive result to the shareholders of the Company.

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. Further, the Group tapped into the healthcare market by entering into the joint venture agreement and the license agreement as disclosed in the Company’s announcement dated 24 July 2020.

The Group did not make any significant changes to its business strategy in the financial service sectors. Despite market volatility, the Group safeguarded its competitive edge due to a number of factors: clients established over the 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 2020, the Group’s consolidated revenue was approximately HK\$77.9 million, which increased by about 58% as compared with the same period in 2019 of approximately HK\$49.2 million. The Group recorded a consolidated loss attributable to owner of the Company amounted to approximately HK\$31.7 million for the year ended 31 December 2020 against a loss of approximately HK\$93.4 million for the same period in 2019, representing a decrease of approximately 66%.

The decrease in the Group's consolidated loss attributable to shareholders in 2020 was mainly attributable to (i) increase in revenue of approximately HK\$28.7 million; (ii) positive change in net realised and unrealised gain or loss on financial assets held for trading of approximately HK\$40.0 million; (iii) decrease in other operating expenses of approximately HK\$7.8 million; and partially offset by (iv) the increase in staff cost of approximately HK\$6.1 million; (v) the increase in impairment loss on accounts receivable of approximately HK\$14.7 million; and (vi) impairment loss on other receivables of approximately HK\$5.0 million.

To facilitate the review, the Group's revenue and segment information shown in Notes 3 and 4 to the consolidated financial statements is reproduced below after some rearrangements:

Revenue Analysis

	2020		2019		Increase (decrease) %
	<i>HK\$'000</i>	Proportion of total revenue %	<i>HK\$'000</i>	Proportion of total revenue %	
Revenue from:					
Brokerage and Financing	59,167	76%	37,813	77%	56%
Brokerage commission and other related fees	13,795	18%	11,786	24%	17%
Underwriting, sub-underwriting, placing and sub-placing commission	1,620	2%	1,339	3%	21%
Interest income from brokerage clients	12,990	17%	12,723	26%	2%
Interest income from money lending clients	30,762	39%	10,465	21%	194%
Other fees	–	–	1,500	3%	(100%)
Corporate Finance and Other Advisory Services	9,203	12%	10,286	21%	(11%)
Asset Management	–	–	–	–	–
Insurance Brokerage	–	–	–	–	–
Proprietary Trading	–	–	1,111	2%	(100%)
Sale and distribution of healthcare products	9,539	12%	–	–	100%
Total revenue	77,909	100%	49,210	100%	58%

Segment Analysis

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment results:		
Brokerage and Financing	5,340	12,593
Corporate Finance and Other Advisory Services	(2,614)	(2,784)
Asset Management	(1,650)	(1,601)
Insurance Brokerage	(659)	(484)
Proprietary Trading	9,488	(28,434)
Sale and distribution of healthcare products	(1,296)	–
	<hr/>	<hr/>
Group segment profit (loss)	8,609	(20,710)
Gain on acquisition of financial assets at fair value through profit or loss	3,979	3,167
Fair value change on financial assets at fair value through profit or loss	(2,130)	(20,161)
Fair value change on derivative financial asset	4,735	–
Loss on redemption of financial assets at fair value through profit or loss	(3,358)	–
Loss on disposal of financial assets at fair value through profit or loss	(8,413)	–
Impairment loss on interest in an associate	–	(5,000)
Unallocated administrative costs	(34,047)	(51,193)
Share of profit (loss) of an associate	127	(63)
	<hr/>	<hr/>
Loss before taxation	(30,498)	(93,960)
Income tax (expenses) credit	(1,823)	591
	<hr/>	<hr/>
Loss for the year attributable to shareholders of the Company	(32,321)	(93,369)
	<hr/> <hr/>	<hr/> <hr/>

Brokerage and Financing

During the year ended 31 December 2020, 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 (“VC Finance”), provides money lending services. For the year ended 31 December 2020, the brokerage and financing businesses recorded total revenue of approximately HK\$59.2 million as compared with approximately HK\$37.8 million for the same period last year, representing an increase of about 56%, and accounted for about 76% 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 2020 amounted to approximately HK\$13.8 million, which was about 17% higher than that of 2019 of approximately HK\$11.8 million, and accounted for about 18% of the Group’s total revenue. The Group’s brokerage transactions recorded increase throughout 2020 with average daily trading turnover increasing by about 35% as compared to that of 2019. No other fees was charged in 2020 against 2019 which approximately HK\$1.5 million was for handling and consultancy fees.

Meanwhile, the Group’s total interest income from financing for the year ended 31 December 2020 increased by about 89% to approximately HK\$43.8 million from approximately HK\$23.2 million for the same period last year, and accounted for about 57% 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\$13.0 million for the year ended 31 December 2020, representing an increase of about 2% as compared to approximately HK\$12.7 million for the same period last year. The increase was mainly attributable to the increase of average loan portfolio of our brokerage clients by about 4% for the year ended 31 December 2020 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\$30.8 million for the year ended 31 December 2020, representing an increase of about 194% as compared to approximately HK\$10.5 million for the same period last year. The increase was mainly contributed by a substantial increase of average loan portfolio of the money lending business by 2.8 times in 2020 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 were about to revitalise after the fading out of COVID-19, the Group decided to take a bit more aggregate approach in provision of financing services. For the year ended 31 December 2020, there was an additional impairment loss of approximately HK\$21.6 million on client receivables from the brokerage and financing businesses (2019: HK\$7.0 million) in accordance with the Group's credit control policies and procedures and requirements of relevant accounting standard. 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 15 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 2020, the Group's placing and underwriting commission was approximately HK\$1.6 million as compared with approximately HK\$1.3 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\$3.1 million for the year ended 31 December 2020 as compared with a profit of approximately HK\$12.6 million for the same period last year. The decrease of the operating performance in 2020 was mainly due to the increase of finance costs charged on intergroup loan.

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 2020, VC Capital was appointed as the financial adviser of certain 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 2020, the Company's corporate finance and other advisory services recorded revenue and operating loss after tax of approximately HK\$9.2 million and HK\$2.6 million as compared with approximately HK\$10.3 million and HK\$2.8 million for the same period last year, respectively.

Asset Management

For the year ended 31 December 2020, 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\$1.7 million as compared with a loss of approximately HK\$1.6 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 personalised investment and wealth management services which can create greater value to them.

Insurance Brokerage

The Group, through Experts Management Limited, an indirect wholly owned subsidiary, was engaged in the provision for insurance brokerage service. Experts Management Limited owns insurance broker company licence and is entitled to conduct long term insurance business. During the year, Expert Management Limited recorded an operating loss of approximately HK\$659,000 (2019: HK\$484,000), which mainly included the general operating expenses such as staff costs.

Proprietary Trading

As at 31 December 2020, the Group held equity securities listed in Hong Kong of approximately HK\$247.3 million (31 December 2019: HK\$162.1 million) as financial assets held for trading, which was stated at market value. The fair value of these listed equity securities represents about 27% of the Group's total assets as at 31 December 2020 (31 December 2019: 19%). This segment had improved following the rebound of the Hong Kong capital market towards the end of the year.

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 2020, there was net purchase in securities investment of approximately HK\$66.4 million (2019: net disposal of HK\$75.9 million).

For the year ended 31 December 2020, the Group did not record any revenue (2019: HK\$1.1 million) from the proprietary trading business. Meanwhile, the Group recognised a net gain of approximately HK\$13.3 million (including a realised loss of approximately HK\$12.2 million and an unrealised gain of approximately HK\$25.5 million) on the trading investments for the year ended 31 December 2020 as compared with a net loss of approximately HK\$26.7 million (including a realised loss of approximately HK\$24.5 million and an unrealised loss of approximately HK\$2.2 million) for the same period in 2019.

Below is an analysis of the financial assets held for trading held by the Group as at 31 December 2020:

Industries	Market value as at 31 December 2020 HK\$'000	Percentage to the Group's total assets %	Unrealised gain (loss) for the year ended 31 December 2020 HK\$'000
Energy	3,861	0.42%	(13,048)
Information technology	88,114	9.48%	25,053
Consumer goods and services	20,530	2.21%	(60,864)
Materials	5,853	0.63%	(4,047)
Financials	53,964	5.81%	(1,762)
Industrials	12,889	1.39%	(19,680)
Utilities	62,127	6.69%	1,545
	<u>247,338</u>	<u>26.63%</u>	<u>(72,803)</u>

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 successfully turned profitable for the year ended 31 December 2020. With gradual recovery of the global capital market following the slump in the first quarter of 2021, the Group is optimistic in its proprietary trading business.

Overall, the Group's proprietary trading business recorded an operating profit after tax of approximately HK\$9.5 million for the year ended 31 December 2020 as compared with a loss of approximately HK\$28.4 million for the same period last year.

Healthcare Products

During the year ended 31 December 2020, the Group stepped into the healthcare products through Success Health Global Limited (“SHGL”), the joint venture company established with Vast Sea Biotechnology, Inc as partner. As at 31 December 2020, the Group was beneficially interested in 51% of the entire issued share capital of SHGL.

During the year, SHGL, through its 2 wholly owned subsidiaries, namely Success Health Biotech (US), Inc and Success Health BioTech (HK) Limited, recorded revenue of approximately HK\$9.5 million in respect of sale and distribution of healthcare products named AVL-19. It is the given name of both the formulation and product of the dietary supplement designed to fight against COVID-19. AVL-19 formulation is based on nucleotides and polypeptides, which are naturally occurring molecules in the human body as opposed to asynthetic chemical drugs or man-made antibodies with unknown toxicity profiles.

Despite vaccines combating COVID-19 are gradually available around the globe, the Company believes that AVL-19 serves as an alternative choice to the public particularly in view of daily healthcare needs and will have its own market.

Loss on redemption of financial assets at fair value through profit or loss

During the year ended 31 December 2020, the loss on redemption of financial assets at fair value through profit or loss represents the loss on redemption of the convertible bonds issued by Asia Energy Logistics Group Limited (the “Asia Energy Convertible Bonds”) acquired by the Company in November 2019 amounted to approximately HK\$3.4 million. The redemption was completed on 17 July 2020 and the principal of HK\$10 million was redeemed.

Unallocated administrative costs

For the year ended 31 December 2020, the unallocated administrative costs amounted to approximately HK\$34.0 million as compared with approximately HK\$51.2 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\$17.2 million in 2020 was mainly attributable to the decrease in net intra-group loan expense.

Income tax expenses/credit

For the year ended 31 December 2020, the Group recognized an income tax expense of approximately HK\$1.8 million (2019: income tax credit of HK\$591,000) which included current tax expense of approximately HK\$2.4 million (2019: HK\$32,000) and deferred tax credit of approximately HK\$560,000 (2019: deferred tax credit of HK\$623,000). The current tax expense was made for the provision of Hong Kong Profits Tax charge in relation to the profitability generated from the brokerage and financing businesses and the corporate finance and other advisory services businesses and the provision of United States of America (“US”) Income Tax in relation to healthcare operation located in US of the Group. The deferred tax credit was recognised mainly in relation to 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 2020, the finance costs of the Group amounted to approximately HK\$2.8 million (2019: HK\$4.0 million), out of which approximately HK\$2.4 million (2019: HK\$3.3 million) was incurred pursuant to the effective interest expense of convertible bonds issued by the Company during the year ended 31 December 2020, together with some finance costs incurred in relation to the Group’s brokerage and financing businesses and interest expenses on lease liabilities.

Headcount and employees information

As at 31 December 2020, the Group employed a total of 64 employees (31 December 2019: 63), which excluded 15 self-employed account executives for brokerage services (31 December 2019: 16), and 62 and 2 were located in Hong Kong and the US respectively (31 December 2019: 62 and 1 were located in Hong Kong and PRC respectively). Salaries and staff benefits costs (including the Directors’ emoluments) and staff commission amounted to approximately HK\$43.7 million and HK\$3.0 million respectively for the year ended 31 December 2019 as compared with approximately HK\$38.7 million and HK\$1.9 million respectively for the same period last year.

The increase in the salaries and staff benefits costs of approximately HK\$6.1 million in 2020 was mainly attributable to the recognition of the equity-settled share option expense of approximately HK\$6.9 million for the share option granted in 2020 and set-off by other cost control.

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 2020, the Group financed its business operations and investments with internal resources, cash revenue generated from operating activities as well as proceeds raised from issue of new shares and convertible bonds.

The Group adopts a prudent treasury policy. As at 31 December 2020, 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 2020.

As at 31 December 2020 and 31 December 2019, the Group did not maintain any banking facilities.

As at 31 December 2020, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$64.2 million (31 December 2019: HK\$70.8 million), HK\$788.6 million (31 December 2019: HK\$729.7 million) and HK\$838.7 million (31 December 2019: HK\$785.9 million) respectively, representing a decrease of about 9%, an increase of 8% and an increase of 7% respectively as compared with that of 31 December 2019. Current ratio, expressed as current assets over current liabilities, remained robust at about 10 times as at 31 December 2020 (31 December 2019: 26.0 times). These showed that the Group still maintained a solid financial position as at 31 December 2020.

As at 31 December 2020 and 31 December 2019, the total numbers of issued ordinary shares of the Company were 1,705,051,598 and 1,230,951,598, respectively.

Charges on group assets

As at 31 December 2020 and 31 December 2019, the Group did not charge any of its assets.

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 2020, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars ("HKD") and United States dollars ("USD"). Given HKD are pegged with USD, 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 minimise the exchange related risks.

Contingent liabilities

As at 31 December 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

Save as the legal actions taken by the Group as mentioned in the section "Brokerage and Financing" 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 2020, 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 0.03 time (31 December 2019: 0.05 time).

Significant investments held, their performance and future prospects

For the year ended 31 December 2020, the Group's held the following significant investments:

18% interest in Hackett Enterprises Limited

As disclosed in 2019 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 2020, the fair value of the above interest in Hackett Enterprises is valued at approximately HK\$29.5 million against that of approximately HK\$47.1 million as at 31 December 2019. As a result, an impairment of approximately HK\$17.6 million was recorded for the year ended 31 December 2020 and the difference was charged in the other comprehensive expense. The PRC money lending demands continued to be stagnant which were further aggravated by the COVID-19 pandemic. The Group will continue to review the investment closely to formulate the best strategy on it.

Financial assets held-for-trading

Included in the financial assets held-for-trading as at 31 December 2020 was the Group's investment in 38,470,000 shares or approximately 8.95% of IBO Technology Company Limited (Stock Code: 2708) with fair value of approximately HK\$85.0 million, which amounts to approximately 9% of the Group's total assets. The investment cost was approximately HK\$49 million. Its share price has decreased by approximately 13% during the year ended 31 December 2020. Given the turbulence in the capital market going forward, 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

Save as disclosed above, during the year ended 31 December 2020 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 2020 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 and the contemplated investment in Aquaporins water business set out in the section headed "Events after the reporting period" below. The Group will finance the respective investments or projects, when materialized, by using its internal resources and/or different financing options available, whichever should be deemed appropriate.

Events after the reporting period

Memorandum of understanding for contemplated investment in Aquaporins water business

On 27 January 2021, VC Capital (China) Limited (“VCCCL”), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Golden Ally Lifetech Group Co., Limited (“Golden Ally”), pursuant to which VC Capital is desirous of investing in the Aquaporins Water (“AQPs Water”) business (the “Contemplated Investment”).

Information on Golden Ally

Golden Ally is engaged in the business of advanced life science technology, and has been involved in the manufacturing, production, sale, promotion and storage of AQPs Water for medical and scientific researches and relevant utilisation as well as for commercial purposes. AQPs are membrane water channel proteins which play crucial roles in water and/or mineral nutrients transport across epithelial and endothelial barriers while preventing ions and other solute from passing in human body, and further, they osmotically modulate water fluid homeostasis in several tissues. At the cellular level, the AQPs Water regulate not only cell migration and transepithelial fluid transport across membranes, but also common events that are crucial for the inflammatory response.

The Contemplated Investment

Fund Raising by Golden Ally

Golden Ally contemplates to conduct fund raising exercise for a total amount of up to US\$300 million by issuing up to 3 billion shares (the “New Shares”), which New Shares shall represent up to 30% of the common stock of Golden Ally, at US\$0.1 per share and VCCCL (and/or its nominees) contemplates to subscribe. Further, VCCCL (and/or its nominees) shall be granted the right of first refusal to subscribe a further portfolio of up to 2.1 billion shares, which shall represent 21% of the common stock of Golden Ally, at a subscription price to be negotiated and determined by the VCCCL and Golden Ally. The above subscriptions are subject to regulatory approval and VCCCL (or its nominees, to be determined by VCCCL at its sole and absolute discretion) being satisfied with the outcome of the due diligence investigations to be conducted on Golden Ally.

Exclusive Business Development Right of VCCCL

VCCCL, whether by itself or through its nominees, shall have sole and exclusive right to operate and manage all plants of or owned by Golden Ally in the PRC for manufacturing and producing AQPs Water and/or relevant products thereof or therefrom free from any interference whatsoever by Golden Ally or its agent, and VCCCL shall be reasonably remunerated for so operating and managing the plants.

For details of the transaction, please refer to the Company’s announcement dated 27 January 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (re-presented)
Revenue	3	77,909	49,210
Other income	3	5,529	4,092
Cost of inventories sold		(6,605)	–
Other gains (losses)	5	8,455	(43,845)
Impairment losses on accounts receivable, net		(22,139)	(7,451)
Impairment losses on other receivables		(4,994)	–
Impairment loss on interest in an associate		–	(5,000)
Staff costs	6	(46,660)	(40,605)
Commission expenses		(5,449)	(4,840)
Depreciation of property and equipment	12	(3,095)	(3,304)
Depreciation of right-of-use assets		(6,497)	(6,047)
Finance costs	7	(2,811)	(3,960)
Other operating expenses		(24,268)	(32,147)
Share of profit (loss) of associates, net		127	(63)
		<hr/>	<hr/>
Loss before tax		(30,498)	(93,960)
Income tax (expenses) credit	10	(1,823)	591
		<hr/>	<hr/>
Loss for the year	8	(32,321)	(93,369)
		<hr/>	<hr/>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000 (re-presented)
Other comprehensive expense for the year			
Item that will not be classified subsequently to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income	13	<u>(17,537)</u>	<u>(160,030)</u>
Total comprehensive expense for the year		<u>(49,858)</u>	<u>(253,399)</u>
Loss for the year attributable to:			
– Owners of the Company		(31,687)	(93,369)
– Non-controlling interests		<u>(634)</u>	<u>–</u>
		(32,321)	(93,369)
Total comprehensive expense attributable to:			
– Owners of the Company		(49,224)	(253,399)
– Non-controlling interests		<u>(634)</u>	<u>–</u>
		(49,858)	(253,399)
Loss per share (HK cents)			
Basic and diluted	11	<u>(2.36)</u>	<u>(7.59)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Goodwill		2,016	2,016
Trading rights		–	–
Other intangible assets		1,246	1,246
Interest in associates		487	4,926
Property and equipment	12	3,643	5,915
Statutory deposits		4,181	2,988
Rental and utility deposits		272	1,868
Right-of-use assets		6,330	10,879
Financial assets at fair value through profit or loss	14	8,665	13,358
Financial assets at fair value through other comprehensive income	13	29,517	47,054
		56,357	90,250
Current assets			
Inventories		183	–
Accounts receivable	15	442,842	223,680
Prepayments, deposits and other receivables	16	108,678	18,520
Financial assets at fair value through profit or loss	14	247,338	445,867
Derivatives financial assets		4,735	–
Bank balances and cash		64,200	70,788
		867,976	758,855
Asset classified as held-for-sale		4,926	–
		872,902	758,855
Current liabilities			
Accounts payable	17	50,702	16,231
Accrued liabilities and other payables	17	8,392	5,968
Convertible bonds		17,302	–
Lease liabilities		5,495	6,641
Tax payable		2,420	329
		84,311	29,169

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	<u>788,591</u>	<u>729,686</u>
Total assets less current liabilities	<u>844,948</u>	<u>819,936</u>
Non-current liabilities		
Convertible bonds	4,940	29,005
Deferred tax liabilities	424	659
Lease liabilities	<u>880</u>	<u>4,409</u>
	<u>6,244</u>	<u>34,073</u>
Net assets	<u><u>838,704</u></u>	<u><u>785,863</u></u>
Capital and reserves		
Share capital	1,680,295	1,585,239
Reserves	<u>(841,037)</u>	<u>(799,376)</u>
Equity attributable to owners of the Company	839,258	785,863
Convertible bonds issued by a subsidiary	80	–
Non-controlling interests	<u>(634)</u>	<u>–</u>
Total equity	<u><u>838,704</u></u>	<u><u>785,863</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 addresses 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, proprietary trading and sale and distribution of healthcare products.

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 2020 and 2019 included in this preliminary announcement of the annual results for the year ended 31 December 2020 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 2019 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 2020 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 the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ⁴
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on C Demand Clause ⁴
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendment to HKFRSs Accounting Guideline 5 (Revised)	Annual Improvements to HKFRSs 2018 – 2020 cycle ³ Merger accounting for common control combination ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ Effective for common control combinations that occur on or after beginning of the first annual reporting period on or after 1 January 2022.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND OTHER INCOME

Revenue principally arises from (i) financial services which consists of the provision of securities, futures and options brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, provision of initial public offerings, mergers and acquisitions services, and other corporate finance related advisory services, (ii) proprietary trading and (iii) sale and distribution of healthcare products.

Revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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, futures and options contracts	13,795	11,786
– Underwriting, sub-underwriting, placing and sub-placing commission	1,620	1,339
– Arrangement, referral, advisory and other fee income	9,203	11,786
– Sale and distribution of healthcare products	9,539	–
	<u>34,157</u>	<u>24,911</u>
Revenue from other sources		
– Interest income from clients	43,752	23,188
– Dividend income from listed equity securities classified as financial assets at fair value through profit or loss (“FVTPL”)	–	1,111
	<u>43,752</u>	<u>24,299</u>
	<u><u>77,909</u></u>	<u><u>49,210</u></u>

Disaggregation of revenue from contracts with customers by timing of recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	25,250	15,128
Over time	<u>8,907</u>	<u>9,783</u>
	<u>34,157</u>	<u>24,911</u>

Other income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from authorised institutions	538	702
Interest income from convertible bonds	138	3,105
Other interest income	<u>1,611</u>	<u>263</u>
Total interest income	2,287	4,070
Government grants (<i>note</i>)	3,151	–
Sundry income	<u>91</u>	<u>22</u>
	<u>5,529</u>	<u>4,092</u>

Note: During the year 31 December 2020, the Group recognised government grants of approximately HK\$3,151,000 in respect of COVID-19 related subsidies, of which amounted to HK\$3,051,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies relating to these subsidies.

4. 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 manages its businesses by divisions, which are organised by different business lines.

Information reported to the Group's Executive Committee, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment is prepared on this basis. The Group has identified the following six (2019: five) reportable segments under HKFRS 8 Operating Segments 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 provision of corporate financial advisory services and company secretarial services;
- (iii) the asset management segment engages in provision of asset management services;
- (iv) the insurance brokerage segment engages in provision of insurance brokerage services;
- (v) the proprietary trading segment engages in trading of equity securities, debt securities and other financial products; and
- (vi) the sale and distribution of healthcare products segment engages in trading of healthcare products.

Sales and distribution of health care products were commenced during the year ended 31 December 2020 as a result of incorporation of a new subsidiary, Success Health Global Limited. Therefore, a new segment of sales of health care products was in the current year.

The following tables presented revenue and results of these reportable and operating segments for the years ended 31 December 2020 and 2019.

Year ended 31 December 2020

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Insurance brokerage HK\$'000	Proprietary trading HK\$'000	Healthcare HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	59,167	9,203	-	-	-	9,539	77,909	-	77,909
Intra-segment sales	-	1,672	-	-	-	-	1,672	(1,672)	-
	<u>59,167</u>	<u>10,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,539</u>	<u>79,581</u>	<u>(1,672)</u>	<u>77,909</u>
Segment profit (loss)	<u>5,340</u>	<u>(2,614)</u>	<u>(1,650)</u>	<u>(659)</u>	<u>9,488</u>	<u>(1,296)</u>	<u>8,609</u>	<u>-</u>	<u>8,609</u>
Unallocated administrative costs									(34,047)
Gain on acquisition of financial assets at FVTPL									3,979
Loss on redemption of financial assets at FVTPL									(3,358)
Fair value change on financial assets at FVTPL									(2,130)
Fair value change on derivative financial asset									4,735
Loss on disposal of financial assets at FVTPL									(8,413)
Share of profit of an associate									<u>127</u>
Loss before taxation for the year									<u><u>(30,498)</u></u>

Year ended 31 December 2019

	Brokerage and financing <i>HK\$'000</i>	Corporate finance and advisory services <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	37,813	10,286	-	-	1,111	49,210	-	49,210
Intra-segment sales	55	1,912	-	-	-	1,967	(1,967)	-
	<u>37,868</u>	<u>12,198</u>	<u>-</u>	<u>-</u>	<u>1,111</u>	<u>51,177</u>	<u>(1,967)</u>	<u>49,210</u>
Segment profit (loss)	<u>12,593</u>	<u>(2,784)</u>	<u>(1,601)</u>	<u>(484)</u>	<u>(28,434)</u>	<u>(20,710)</u>	<u>-</u>	<u>(20,710)</u>
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 investment in an associate								(5,000)
Share of loss of an associate								<u>(63)</u>
Loss before taxation for the year								<u><u>(93,960)</u></u>

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

No single customer accounted for 10% or more of the Group's revenue for 2020 and 2019. 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 and United States for 2020 and mainly derived from Hong Kong for 2019. Almost all of its non-current assets and other than financial instruments 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.

5. OTHER GAINS (LOSSES)

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain (loss) on disposal of property and equipment	245	(166)
Net exchange gain (loss)	95	(16)
Gain on acquisition of financial assets at FVTPL	3,979	3,167
Loss on redemption of financial assets at FVTPL	(3,358)	–
Fair value change of financial assets at FVTPL	(2,130)	(20,161)
Fair value change of derivatives financial asset	4,735	–
Net realised and unrealised gain (loss) on financial assets held-for-trading	13,302	(26,669)
Loss on disposal of financial asset at FVTPL	(8,413)	–
	<u>8,455</u>	<u>(43,845)</u>

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff commission	2,965	1,937
Salaries and wages	31,678	33,858
Termination benefit	128	148
Staff welfare	1,589	1,548
Recruitment costs	219	11
Provision of long service payment/annual leave benefits	320	237
Retirement benefits scheme contributions	818	924
Discretionary and performance related incentive payments and provision of gratuity	2,077	1,942
Equity-settled share option expense	6,866	–
	<u>46,660</u>	<u>40,605</u>

The Group participates in a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of which are held in separate trustee-administered funds.

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The contribution by the Group is capped at HK\$1,500 per employee per month and is expensed as incurred.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
Convertible bonds issued	2,441	3,248
Bank loans and overdrafts	–	11
Lease liabilities	370	701
	<u>2,811</u>	<u>3,960</u>

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other operating expenses:		
Auditor's remuneration	1,150	1,080
Depreciation of property and equipment	3,095	3,304
Depreciation for right-of-use assets	6,497	6,047
Entertainment and travel expenses (mainly incurred for business development)	4,629	6,017
	<u>4,629</u>	<u>6,017</u>

9. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the years ended 31 December 2020 and 2019.

10. INCOME TAX EXPENSES (CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	2,212	–
The People's Republic of China ("PRC") Enterprise Income Tax	–	48
United States ("US") Maryland ("MD") Tax and Federal Income Tax	207	–
Under (overprovision) in prior year		
Hong Kong Profits Tax	(36)	(20)
PRC Enterprise Income Tax	–	4
Deferred tax		
Current year	(560)	(623)
	<u>1,823</u>	<u>(591)</u>

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 2020, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime.

No Hong Kong Profits Tax has been provided for in the consolidated financial statements as the Group did not have any 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.

No Enterprise Income Tax arising in the PRC has been provided for in the consolidated financial statements as the Group did not have any assessable profits for the year ended 31 December 2020.

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

The US corporate tax rate is 21% for the year ended 31 December 2020 in accordance to the Tax Cuts and Jobs Act of 2017. The US income tax includes (a) federal income tax calculated at a fixed rate of 21% for the year ended 31 December 2020 (2019: nil) on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states (i.e. MD Tax of 8.25%). The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

11. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	<u><u>(31,687)</u></u>	<u><u>(93,369)</u></u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>1,343,054</u></u>	<u><u>1,230,952</u></u>

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and exercise of the Company's options under share option scheme granted in 2020 since their exercise would result in a decrease in loss per share for the years ended 31 December 2020 and 2019.

12. PROPERTY AND EQUIPMENT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying value, beginning of year	5,915	2,844
Additions	828	7,044
Depreciation	(3,095)	(3,304)
Write-off/Disposal	(5)	(669)
	<u>3,643</u>	<u>5,915</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unlisted equity securities designated as at FVTOCI (<i>notes a & b</i>)	<u>29,517</u>	<u>47,054</u>
Analysed for reporting purpose as non-current assets	<u>29,517</u>	<u>47,054</u>

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 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 2020 performed by an independent professional valuer, the fair value of these securities acquired was approximately HK\$29,517,000 (2019: HK\$47,054,000), a fair value loss of HK\$17,537,000 (2019: HK\$160,030,000) was recognised in 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 nil as at 31 December 2020 and 31 December 2019.
- (c) The investment in equity instrument 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 in equity instrument 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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets mandatorily measured at FVTPL		
Convertible bonds (<i>notes a, b and c</i>)	8,665	297,087
Listed equity securities listed in Hong Kong	<u>247,338</u>	<u>162,138</u>
	<u>256,003</u>	<u>459,225</u>
Analysed for reporting purpose:		
– Non-current assets	8,665	13,358
– Current assets	<u>247,338</u>	<u>445,867</u>
	<u>256,003</u>	<u>459,225</u>

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 FVTPL 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 which require PAL to purchase from the Company the China Fortune Convertible Bonds to the extent of the principal amount of HK\$76,792,500.

On 24 January 2020, the Company has exercised the put option granted by PAL and a portion of China Fortune Convertible Bond of principal amount of HK\$76,792,500 has been disposed to PAL upon exercise of the put option granted.

- (b) A wholly-owned subsidiary of the Company, VC Brokerage Limited (“VC Brokerage”) had made acquired a 3-year 2.5%, unsecured non-redeemable convertible bonds issued by Asia Energy Logistics Group Limited (“Asia Energy” Stock code: 351) issued on 8 November 2018 for a principal 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 Bond”).
- (c) On 20 July 2020, the Company had made acquired a 3-year 7.5%, unsecured non-redeemable convertible bonds issued by IBO Technology Company Limited (“IBO Tech” Stock code: 2708) issued in 3 April 2019 for a principle amount of HK\$5,760,000 at a consideration of HK\$6,816,000. The initial conversion price of the convertible bonds is HK\$1.60 per share (“IBO Tech Convertible Bond”).

15. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>note a</i>):		
Clearing house	22,670	5,209
Cash clients	27,342	2,922
Futures and options contracts transactions (<i>note a</i>):		
Clearing house	17	18
	<u>50,029</u>	<u>8,149</u>
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services (<i>note a</i>)	4,139	6,419
Less: Impairment loss	<u>(1,031)</u>	<u>(450)</u>
	<u>3,108</u>	<u>5,969</u>
Accounts receivable arising from the ordinary course of business of money lending services (<i>note b</i>)	300,263	114,072
Less: Impairment loss	<u>(51,177)</u>	<u>(31,433)</u>
	<u>249,086</u>	<u>82,639</u>
Accounts receivable arising from the ordinary course of business of dealing in (<i>note c</i>):		
Securities transactions:		
Margin clients	155,159	148,545
Less: Impairment loss	<u>(23,436)</u>	<u>(21,622)</u>
	<u>131,723</u>	<u>126,923</u>
Accounts receivables arising from the ordinary business of sale and distribution of healthcare products (<i>note d</i>)	<u>8,896</u>	<u>–</u>
	<u><u>442,842</u></u>	<u><u>223,680</u></u>

As at 31 December 2020, the gross amount of accounts receivables arising from contracts with customers amounted to approximately HK\$63,064,000 (2019: HK\$14,568,000).

The Group measures the loss allowance for accounts receivable other than accounts receivable from margin clients and money lending clients, at an amount equal to lifetime ECL. The expected credit losses on these accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	49,726	7,743
31 – 90 days	12	53
Over 90 days	291	353
	50,029	8,149

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	499	1,716
31 – 90 days	563	787
Over 90 days	2,046	3,466
	3,108	5,969

- (b) As at 31 December 2020, accounts receivable arising from money lending services bear fixed-rate interest of 1.25% to 1.5% per month or 12% per annum (2019: 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 2020, accounts receivable with net carrying amount of approximately HK\$59 million (2019: HK\$44 million) were secured by the client's listed securities and client's properties.
- (c) The accounts receivable due from margin clients of approximately HK\$155,159,000 (2019: HK\$148,545,000) were secured by the clients' pledged listed securities which carried a fair value of approximately HK\$346,109,000 (2019: HK\$401,856,000).
- (d) The Group allows credit period of 120 days to its trade customers. The Group does not hold any collateral over its accounts receivables. The following is an aged analysis of the gross accounts receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<u><u>8,896</u></u>	<u><u>–</u></u>

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables arising from disposal of financial assets at FVTPL (<i>note a</i>)	93,600	–
Others	<u>3,983</u>	<u>14,432</u>
Gross amount of other receivables	97,583	14,432
Less: impairment allowances	<u>(4,994)</u>	<u>–</u>
Carrying amount of other receivables	92,589	14,432
Deposit for business acquisition (<i>note (b)</i>)	11,000	–
Prepayments and other deposits	<u>5,089</u>	<u>4,088</u>
	<u>108,678</u>	<u>18,520</u>

Note:

- (a) The Company has exercised the put option granted by PAL to dispose of the China Fortune Convertible Bonds to PAL on principal amount of HK\$76,792,500. The consideration of HK\$200,000,000 is settled by installments according to the settlement plan between the Company and PAL and the final instalment to be due on July 2021. For details, please refer to the Company's announcement dated on 24 January 2020 and 3 March 2020.
- (b) During the year ended 31 December 2020, the Group entered into a memorandum of understanding to acquire 32% equity interest in China Bloom International Limited ("China Bloom"). As at 31 December 2020, refundable deposit at approximately HK\$11,000,000 had been paid.

17. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts payable arising from dealing in securities:		
Clearing house	4,546	–
Cash clients	44,201	16,053
Margin clients	302	178
	<u>49,049</u>	<u>16,231</u>
Accounts payable arising from sale and distribution of healthcare products	<u>1,653</u>	<u>–</u>
	<u>50,702</u>	<u>16,231</u>
Accrued liabilities and other payables:		
Accrued expenses	3,321	2,328
Interest payable to convertible bond holders	1,742	1,382
Others	3,329	2,258
	<u>8,392</u>	<u>5,968</u>

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 on accounts payable arising from dealing in securities 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.

An aged analysis of account payable from sale and distribution of healthcare products at the end of the reporting period based on invoice dates is as follow:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<u>1,653</u>	<u>–</u>

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 2020, 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 2020 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 2020.

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, the related notes thereto for the year ended 31 December 2020 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 2020, 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 2020 (the "2020 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 2020 will be held in May 2021. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2020 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 four Executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Lin Hoi Kwong, Aristo, Mr. Tang Hao and Mr. Cheng Tak Yiu, Simon; 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
30 March 2021