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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.vcgroup.com.hk>

(Stock Code: 821)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) submits the unaudited condensed consolidated results of the Company and its subsidiaries (collectively “VC Group” or the “Group”) for the six months ended 30 June 2021, together with the unaudited comparative figures of the corresponding period in 2020.

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	37,844	27,903
Profit (loss) for the period	98,129	(54,770)
Profit (loss) attributable to owners of the Company	101,143	(54,770)
Basic earnings (loss) per share (HK cents)	5.93	(4.45)
Interim dividend per share (HK cents)	Nil	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2021, driven by the increasing vaccination rates and easing of Coronavirus Disease 2019 (“COVID-19”) restrictions, signs of strong economic recovery were observed in multiple advanced economies. According to The Organisation for Economic Co-operation and Development, Gross domestic product (“GDP”) growth of the G20 area rebounded to 3.4% in the first quarter of the year, increased by 0.8% compared with the preceding quarter. However, the world is facing a worsening two-track recovery as several developing economies continued to struggle with the COVID-19 pandemic and its aftermath, particularly when emergence of the Delta variants aggravated deterioration of their economies in the second quarter. Various countries further tightened their border controls to combat the Delta variants, which in turn brought much of economic activities to a halt, significantly hindering their economic growth.

In Hong Kong, although social distancing requirements and travel restrictions continued to weigh on certain business sectors, there was a strong growth in exports due to the robust global demand. In addition, improved local business sentiment and the support from various government relief measures boosted the city’s economic growth in the first half of 2021. Real GDP increased by 7.9% year-on-year in the said period, ending six consecutive quarters of contraction.

Driven by the favourable external market environment and strong economic rebound, Hong Kong stock market showed remarkable performance and Hang Seng Index expanded 1,596.8 points in the first half of the year. As regards the initial public offering (“IPO”) market, The Hong Kong Stock Exchange (the “Stock Exchange”) had been a preferred centre for listing and fundraising for Chinese healthcare and biotechnology enterprises in the past two years as the loosening of regulation in 2018 opened the door for loss-making startups in the field to access fundraising. During the first six months of 2021, Hong Kong’s IPO market welcomed 46 IPOs and raised funds of a record high of US\$26 billion. It was mainly attributable to listings of mainland technology and logistics companies during the reporting period.

Thanks to the government’s Employment Support Scheme and other relief measures, the securities firms in Hong Kong faced less financial burden and the market environment visibly improved. According to Hong Kong Securities Association, number of securities firms which ceased operation significantly dropped compared with last year and the industry players are generally optimistic about the trading volume and industry prospects.

BUSINESS REVIEW

VC Group is committed to delivering premier financial services and products that fulfil various investment and wealth management needs of clients in the Greater China region. The Group's core businesses remain (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; (ii) proprietary trading; and (iii) sale and distribution of healthcare products.

During the reporting period, leveraging its core competitiveness and solid experience in financial service sector, the Group overcame the challenges posed by the COVID-19 pandemic and navigated the severe market situation, while continuously identifying development opportunities arising from market reform. The Group is dedicated to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help the Group capture growth opportunities, with an aim to enhance shareholders' value.

Striving to enhance financial technology development, the Group aggressively pursues innovations. Since the inception of the digital era, the Group has been providing well-established online securities transaction services. Through regularly reviewing and refining its operating system, the Group ensured effectiveness and enhanced user experience, so as to tap customer needs in a proactive approach.

The brokerage and financing business remained the Group's major revenue streams and contributed approximately 88% of the Group's total revenue. The Group continued to provide local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, placement and underwriting, margin financing and money lending, etc. During the reporting period, the Group strived to provide its loyal customer base with premium financial services, while maintaining its solid financial standing through adopting stringent risk management, efficacious internal control and proactive operating model. Aiming at broadening its revenue base and offering clients with more financial flexibility to meet their personal and business needs, the Group continued to provide money lending services. The Group endeavoured to capture the business opportunities in local IPO market by offering placing and underwriting services to clients. During the reporting period, the Group continued to act as placing agent and underwriter for Hong Kong listed companies' fund-raising activities and recorded a revenue of approximately HK\$0.3 million.

The Group provided corporate finance advisory services through VC Capital Limited ("VC Capital"), the Group's indirect wholly owned subsidiary, during the reporting period, including mergers and acquisitions advisory and company secretarial services. During the first half of 2021, VC Capital was appointed as the financial adviser of certain Hong Kong listed companies for some of their corporate transactions and recorded a revenue of approximately HK\$4.5 million in this business segment, contributing approximately 12% of the Group's total revenue.

In respect of the proprietary trading business, as at 30 June 2021, the Group held equity securities listed in Hong Kong of approximately HK\$358.4 million as financial assets held for trading, marking a 45% appreciation of market value as compared with that at 31 December 2020. It is mainly attributable to gains from information technology and energy segments, as well as a remarkable rebound of Hong Kong's capital market during the reporting period.

Establishment of a joint venture securities company in Guangxi

In July 2016, the Company announced that VC Brokerage Limited (“VC Brokerage”), an indirectly wholly owned subsidiary of the Company, entered into a joint venture agreement (the “Joint Venture Agreement”) with three independent third parties to establish a joint venture securities company in Guangxi, the PRC (the “PRC JV Company”). Subject to the approval by China Securities Regulatory Commission (the “CSRC”), the PRC JV Company is expected to be a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC. Pursuant to the Joint Venture Agreement, VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$543 million), representing 44.5% shareholding in the PRC JV Company.

The Company intended to finance the investment in the PRC JV Company by placing of convertible bonds in the aggregate principal amount of up to HK\$850 million (the “Convertible Bonds”) at an initial conversion price of HK\$0.65 each pursuant to a placing agreement entered into at the same time. The aggregate net proceeds from placing of the Convertible Bonds will be approximately HK\$829 million, which is intended to use for capital contribution to the PRC JV Company and the remaining balance is intended to use for expanding the Group's existing businesses and other possible investments in the future, when opportunities arise. This investment definitely not only strengthen the Group's financial position and prospects, but provide a stepping stone to the Group for entering into and developing of the PRC market.

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

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

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

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

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.

On 18 June 2021, Initial Honour entered into a second supplemental sale and purchase agreement, pursuant to which the long stop date was further extended to 31 December 2021.

Acquisition of 32% equity interest in China Bloom International Limited

On 7 May 2020, VC Capital Management Limited ("VCCML"), a wholly owned subsidiary of the Company, entered into a memorandum of understanding with Mr. Chan Leung ("Mr. Chan"), 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, VCCML entered into another memorandum of understanding with Mr. Chan 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, VCCML entered into the third memorandum of understanding with Mr. Chan 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.

On 31 May 2021, VCCML entered into the fourth memorandum of understanding with Mr. Chan to extend the long stop date of the completion of acquisition of the aggregate 32% equity interest in China Bloom from 31 May 2021 to 31 December 2021.

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. Since the In Vivo Pharmacokinetics (PK) Studies was not completed by 30 June 2021, the Sub-Licence Agreement became null and void.

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

Deed of settlement

On 25 June 2021, CVP Financial Group Limited (“CVP”), the Company, VC Finance Limited (“VC Finance”) and Mr. Ding Lu (“Mr. Ding”) entered into a deed of settlement pursuant to which an outstanding convertible bond amount (the “Outstanding CB Amount”) due from the Company to CVP in the amount of HK\$18,000,000 would be applied to offset partially the indebtedness due from Mr. Ding to VC Finance (the “Offset”). VC Finance, a licensed money lender in Hong Kong and is an indirect wholly-owned subsidiary of the Company. The Offset was completed on the same date, immediately after which the Outstanding CB Amount was fully settled and Mr. Ding is still indebted to VC Finance in the amount of approximately HK\$8.3 million.

OUTLOOK

The global economy is expected to experience robust post-recession recovery in the second half of 2021, driven by a rebound in private consumption and investments as confidence strengthens and exports increase. According to the IMF, global growth is projected at 6% and 4.9% in 2021 and 2022, respectively. Thanks to the continued suppression of the COVID-19 pandemic, China's manufacturing industry has largely returned to normal, while the domestic economic growth is projected to reach 8.5% in 2021, according to The World Bank. The Hong Kong economy is also on the path to recovery. When improved external environment is anticipated to lend a solid support to the city's exports continuously in the near term, the stabilised epidemic situation and the imminent launch of Consumption Voucher Scheme will boost consumer sentiment, thus creating favourable conditions for a full-fledged revival of local economy.

In respect of the financial market, although factors, such as emergence of the Delta variants and inflation, continue to cast uncertainties to the market and heighten investors' concerns, global stock markets are expected to gain support by a robust economic recovery from the pandemic recession. For Hong Kong stock market, it is predicted that more foreign-listed Chinese firms and Chinese new economy companies may consider listing in Hong Kong, and the return of China concepts stocks will become the new growth engines for the Hong Kong stock market as more global funds will be allocated to the Hong Kong market. However, both foreign and domestic investors are worried that the simmering Sino-U.S. tensions, a surge in regulatory risks in China and market volatility may cloud the outlook of Hong Kong stock market, as the negative performance of Hang Seng TECH Index also send warning signals.

In the digital era, new technologies are rapidly changing the business landscape, while customers worldwide have been shifting behaviour towards the adoption of mobile devices. The increasing use of cloud computing and data services contributed to the strong growth of the software as a service ("SaaS") and cloud computing industry over the past few years. In addition, SaaS is transforming the business and revenue models of modern industries, including software, entertainment, gaming, news reporting, etc. SaaS-based tools help businesses provide seamless service to customers and boost efficiency of staff even in the midst of the pandemic. Therefore, SaaS-based businesses are experiencing accelerated expansion, particularly since the pandemic outbreak, and the Group is looking into opportunities in this area.

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-rounded 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.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's consolidated revenue was approximately HK\$37.8 million, which increased by about 36% as compared with approximately HK\$27.9 million during the same period in 2020. The Group recorded a consolidated profit attributable to owners of the Company amounted to approximately HK\$101.1 million for the six months ended 30 June 2021 against a loss of approximately HK\$54.8 million for the same period in 2020.

The main reasons of the changes are: (i) increase in revenue of approximately HK\$10.5 million mainly from interest income from margin financing and money lending businesses; (ii) net realised and unrealised gain in financial assets at fair value through profit or loss of approximately HK\$79.4 million against net realised and unrealised loss of approximately HK\$22.2 million for the same period last year; and (iii) reversal of impairment loss on accounts receivables of approximately HK\$27.7 million against additional impairment loss of approximately HK\$12.1 million for the same period last year.

To facilitate the review, the Group's revenue and segment information shown in Note 4 to the unaudited condensed consolidated financial statements is reproduced below after some re-arrangements:

Revenue Analysis

	Six months ended 30 June 2021		Six months ended 30 June 2020		Increase (decrease)
	HK\$000	Proportion of total revenue %	HK\$000	Proportion of total revenue %	%
Revenue from:					
Brokerage and Financing	33,273	88%	22,769	82%	46%
Brokerage commission and other related fees	7,481	20%	5,033	18%	49%
Underwriting, sub-underwriting, placing and sub-placing commission	289	1%	1,001	4%	(71%)
Interest income from brokerage clients	7,343	19%	6,248	22%	18%
Interest income from money lending clients	18,160	48%	10,487	38%	73%
Corporate Finance and Other Advisory Services	4,520	12%	5,134	18%	(12%)
Asset Management	-	-	-	-	-
Insurance Brokerage	-	-	-	-	-
Proprietary Trading	-	-	-	-	-
Sale and distribution of healthcare products	51	0%	-	-	100%
Total revenue	37,844	100%	27,903	100%	36%

Segment Analysis

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Segment results:		
Brokerage and Financing	38,869	(1,653)
Corporate Finance and Other Advisory Services	(878)	(403)
Asset Management	(752)	(924)
Insurance Brokerage	(382)	(319)
Proprietary Trading	77,826	(22,934)
Sale and distribution of healthcare products	(6,151)	—
Group segment profit (loss)	108,532	(26,233)
Loss on disposal of financial assets at fair value through profit or loss	—	(11,544)
Fair value change on financial assets at fair value through profit or loss	—	(3,658)
Unallocated administrative costs	(6,880)	(12,895)
Share of profit (loss) of an associate	109	(4)
Profit (loss) before tax	101,761	(54,334)
Income tax expense	(3,632)	(436)
Profit (loss) for the period	98,129	(54,770)

Brokerage and Financing

During the six months ended 30 June 2021, 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 an indirect wholly owned subsidiary, VC Finance Limited (“VC Finance”), provides money lending services. For the six months ended 30 June 2021, the brokerage and financing businesses recorded total revenue of approximately HK\$33.3 million as compared with approximately HK\$22.8 million for the same period last year, representing an increase of about 46%, and accounted for about 88% 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 six months ended 30 June 2021 increased to approximately HK\$7.5 million from approximately HK\$5.0 million for the same period last year, representing an increase of about 50%, and accounted for about 20% of the Group's total revenue. The Group recorded an increase in brokerage transactions for the first half of 2021 as the average daily trading turnover increased by about 24% as compared to the same period last year.

Meanwhile, the Group's total interest income from financing for the six months ended 30 June 2021 increased by about 53% to approximately HK\$25.5 million from approximately HK\$16.7 million for the same period last year, and accounted for about 67% of the Group's total revenue. The revenue included 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\$7.3 million for the six months ended 30 June 2021, representing an increase of about 19% as compared with approximately HK\$6.2 million during the same period last year. The rise was mainly attributable to the increase of average loan portfolio of our brokerage clients by about 20% for the six months ended 30 June 2021 as compared with the same period last year.

As abovementioned, 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 from money lending services was approximately HK\$18.2 million for the six months ended 30 June 2021, representing a substantial rise of about 73% as compared with approximately HK\$10.5 million during the same period last year. It was mainly due to the increase of average loan portfolio of the money lending business by about 133% for the six months ended 30 June 2021 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 is volatile from time to time, the Group will take a much more cautious approach in provision of the financing services. For the six months ended 30 June 2021, there was a reversal of impairment loss of approximately HK\$27.7 million on client receivables from the brokerage and financing businesses (31 December 2020: impairment loss of HK\$12.1 million) in accordance with the Group's credit control policies and procedures. The Group will take all necessary legal actions against the relevant clients to follow up the outstanding loans. Details of the impairment loss on the client receivables had been disclosed in Note 15 to the unaudited condensed 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 six months ended 30 June 2021, the Group recorded approximately HK\$0.3 million placing and underwriting commission (six months ended 30 June 2020: HK\$1.0 million). The Group will continue to put efforts to capture the opportunities towards the local initial public offerings and other fund-raising exercises.

Overall, the operating performance of the brokerage and financing businesses for the six months ended 30 June 2021 recorded an operating profit after tax of approximately HK\$36.6 million against an operating loss after tax of approximately HK\$2.3 million for the same period last year.

Corporate Finance and Other Advisory Services

The Company through one of its indirect wholly owned subsidiary, VC Capital Limited ("VC Capital"), provides corporate finance advisory services to its clients. For the six months ended 30 June 2021, VC Capital was appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions.

In addition, the Company through its 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.

Overall, the operating performance of the corporate finance and other advisory services business for the six months ended 30 June 2021 was close to that of the same period last year, which recorded revenue and operating loss after tax of approximately HK\$4.5 million and HK\$0.9 million as compared with approximately HK\$5.1 million and loss of HK\$0.4 million for the same period last year respectively.

Asset Management

For the six months ended 30 June 2021, 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\$0.8 million as compared with a loss of approximately HK\$0.9 million for the same period last year, which mainly included the general operating expenses such as staff costs.

Insurance Brokerage

For the six months ended 30 June 2021, the Company's insurance brokerage business, through its indirectly wholly owned subsidiary, Experts Management Limited, recorded an operating loss after tax of approximately HK\$0.4 million as compared with a loss of approximately HK\$0.3 million for the same period last year, which mainly included the general operating expenses such as staff costs.

Proprietary Trading

As at 30 June 2021, the Group held equity securities listed in Hong Kong of approximately HK\$358.4 million (31 December 2020: HK\$247.3 million) as financial assets held-for-trading, which was stated at market value. The fair value of these listed equity securities represents about 36% of the Group's total assets as at 30 June 2021 (31 December 2020: 27%). This segment had further improved following the rebound of the Hong Kong capital market towards the end of reporting period.

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 first half of 2021, there was net purchase of securities investment of approximately HK\$31.8 million (six months ended 30 June 2020: net purchase of HK\$29.3 million).

For the six months ended 30 June 2021 and 2020, no revenue was recorded for the proprietary trading business. Meanwhile, the Group recognised a net profit of approximately HK\$79.4 million (including a realised gain of approximately HK\$2.5 million and an unrealised gain of approximately HK\$76.9 million) on the trading investments for the six months ended 30 June 2021 as compared with a net loss of approximately HK\$22.2 million (including a realised loss of approximately HK\$7.5 million and an unrealised loss of approximately HK\$14.7 million) for the same period in 2020.

Below is an analysis of the financial assets held-for-trading held by the Group as at 30 June 2021:

Industries	Market value as at 30 June 2021 HK\$'000	Percentage to the Group's total assets %	Unrealised gain/(loss) for the six months ended 30 June 2021 HK\$'000
Energy	2,707	0.27%	(1,154)
Information Technology	149,692	15.13%	63,091
Consumer goods and services	33,421	3.38%	5,552
Financials	34,485	3.49%	(13,081)
Materials	5,104	0.52%	(749)
Industrials	40,514	4.09%	10,813
Utilities	92,480	9.35%	12,468
	<u>358,403</u>	<u>36.23%</u>	<u>76,940</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. Overall, the Group's proprietary trading business recorded an operating profit of approximately HK\$77.8 million for the six months ended 30 June 2021 against loss of approximately HK\$22.9 million for the same period last year.

Unallocated administrative costs

For the six months ended 30 June 2021, the Group's unallocated administrative costs amounted to approximately HK\$6.9 million as compared with approximately HK\$12.9 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\$6.0 million during the first half of 2021 was mainly attributable to (i) increase in net intra-group loan income; and (ii) set-off corporate operating expenses incurred for the Group's business development mainly increase in staff costs, entertainment and travel expenses.

Income tax expense/credit

During the six months ended 30 June 2021, the Group recognised an income tax expense of approximately HK\$3.6 million (six months ended 30 June 2020: HK\$436,000) which included net current tax expense of approximately HK\$2.3 million for Hong Kong Profits Tax and the provision of United States of America Income Tax and deferred tax credit of approximately HK\$1.3 million (six months ended 30 June 2020: net current tax expense of HK\$638,000 and deferred tax credit of HK\$202,000).

Finance costs

For the six months ended 30 June 2021, the finance costs of the Group amounted to approximately HK\$1.2 million as compared with approximately HK\$1.3 million for the same period last year. The decrease of finance costs mainly due to the decrease of (i) imputed interests on convertible bonds issued by the Company; and (ii) imputed interest on lease liabilities pursuant to HKFRS 16.

Headcount and employees information

As at 30 June 2021, the Group employed a total of 64 employees (31 December 2020: 64), which excluded 15 self-employed account executives for brokerage services (31 December 2020: 15), and all of them were located in Hong Kong (31 December 2020: 62 in Hong Kong and 2 in USA). Salaries and staff benefit costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$19.4 million and HK\$1.5 million respectively for the six months ended 30 June 2021 as compared with approximately HK\$17.4 million and HK\$1.7 million respectively for the same period last year. Details had been disclosed in Note 6 to the unaudited condensed consolidated financial statements. The increase in the salaries and staff benefit costs of approximately HK\$1.8 million during the first half of 2021 was mainly attributable to the increase of the number of high-salaried staff and provision of long service/annual leave payments during the period.

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 six months ended 30 June 2021, the Group financed its business operations and investments mainly with internal resources and cash revenues generated from operating activities.

The Group adopts a prudent treasury policy. As at 30 June 2021, 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 saving deposits and current accounts as at 30 June 2021.

As at 30 June 2021 and 31 December 2020, the Group did not maintain any banking facilities.

As at 30 June 2021, the Group's bank balances and cash, net current assets and equity attributable to owners of the Company (other than clients' segregated accounts) amounted to approximately HK\$79.9 million (31 December 2020: HK\$64.2 million), HK\$891.0 million (31 December 2020: HK\$788.6 million) and HK\$937.7 million (31 December 2020: HK\$839.3 million) respectively, representing an increase of about 24.5%, 13.0% and 11.7% respectively as compared with that of 31 December 2020. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of about 21 times as at 30 June 2021 (31 December 2020: 10 times). These showed that the Group still maintained a solid financial position as at 30 June 2021.

As at 30 June 2021, the total number of issued ordinary shares of the Company was 1,705,751,598 (31 December 2020: 1,705,051,598 shares).

Use of proceeds of placing of new shares under general mandate

The net proceeds from share placing completed on 25 August 2020 were used as follows:

Period under review	Purpose of usage	Intended use of net proceeds HK\$'000	Actual use of proceeds up to 30 June 2021 HK\$'000	Remaining balance of unutilised net proceeds HK\$'000
From share placing completion up to and including 30 June 2021	Operating expenses	10,000	10,000	—
	Provision of margin loans	11,200	11,200	—
	Money lending business	12,000	12,000	—
	In relation to the joint venture agreement as defined in the Company's announcement dated 24 July 2020	15,000	15,000	—
		<u>48,200</u>	<u>48,200</u>	<u>—</u>

Use of proceeds of placing of convertible bonds under specific mandate

The net proceeds from convertible bond placing completed on 6 November 2020 were used as follows:

Period under review	Purpose of usage	Intended use of net proceeds HK\$'000	Actual use of proceeds up to 30 June 2021 HK\$'000	Remaining balance of unutilised net proceeds HK\$'000
From convertible bond placing completion up to and including 30 June 2021	Provision of margin loans	11,200	11,200	–
	Money lending business	24,000	24,000	–
	In relation to the joint venture agreement as defined in the Company's announcement dated 24 July 2020	15,000	4,600	10,400
		<u>50,200</u>	<u>39,800</u>	<u>10,400</u>

Charges on group assets

The Group did not have any charged assets as at 30 June 2021 and 31 December 2020.

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 six months ended 30 June 2021, 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 minimize the exchange related risks.

Contingent liabilities

As at 30 June 2021 and 31 December 2020, 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 30 June 2021, the Group's gearing ratio, expressed as total borrowings (being the lease liabilities and liability portion of convertible bonds) over shareholders' equity, was approximately 0.01 time (31 December 2020: 0.03 time).

Significant investments held, their performance and future prospects

As at 30 June 2021, the Group's held the following significant investment:

Financial assets held-for-trading

Included in the financial assets held-for-trading as at 30 June 2021 was the Group's investment in 39,058,000 shares or approximately 7% of IBO Technology Company Limited (Stock Code: 2708) with fair value of approximately HK\$148.4 million, which amounts to approximately 15% of the Group's total assets. The investment cost was approximately HK\$50.4 million. Its share price has increased substantially by approximately 72% during the six months ended 30 June 2021. Given the turbulence in the capital market, the Group will review its performance closely and take the most appropriate strategy for the benefits of the shareholders of the Company.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

For the six months ended 30 June 2021, the Group did not complete any material acquisitions or disposals.

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

As at 30 June 2021, 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 as disclosed in the "Events after reporting period" below. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects by using its internal resources and/or different financing options available, whichever should be deemed appropriate.

Meanwhile, as at 30 June 2021, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment.

Events after the reporting period

Discloseable transaction in relation to the acquisitions of certain software and the entire issued share capital in Dream Impression Holdings Limited

On 2 July 2021, iDreamSky Technology Holdings Limited (the “Vendor I”), Shenzhen Qianhai iDream Technology Co., Ltd. (the “Vendor II”), the Company (the “Purchaser I”) and Qianhai Hanxiang Investment Management (Shenzhen) Company Limited (the “Purchaser II”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which, (i) the Purchaser II shall acquire from Vendor II certain software, at a consideration of RMB45,000,000 (equivalent to approximately HK\$53,827,751); and (ii) the Purchaser I shall acquire from Vendor I the sale shares, representing the entire issued share capital of the Dream Impression Holdings Limited, at a consideration of RMB28,000,000 (equivalent to approximately HK\$33,492,823). The Total consideration of RMB73,000,000 (equivalent to approximately HK\$87,320,574) will be settled by the allotment and issue of the 425,954,020 consideration Shares by the Company to the Vendor I and/or its nominee(s) at the issue price of HK\$0.205 per consideration share on the completion date.

The 425,954,020 consideration shares represent (i) approximately 24.97% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement; and (ii) approximately 19.98% of the issued share capital of the Company as enlarged by the allotment and issue of the consideration shares.

As at the date of this announcement, the transaction has not yet completed. For details for the transaction, please refer to the Company’s announcement dated 2 July 2021.

Placing of new shares under general mandate

On 2 July 2021, the Company entered into the placing agreement (the “Placing Agreement”) with the Anli Securities Limited (the “Placing Agent”), 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 Placing Agreement. The Placing Agent shall procure not less than six placees to subscribe for up to 341,150,000 Placing Shares at the placing price of HK\$0.205 per Placing Share. The maximum number of 341,150,000 Placing Shares represent (i) approximately 20.00% of the aggregated number of the issued Shares as at the date of the Placing Agreement; and (ii) approximately 16.67% of the aggregated number of issued Shares as enlarged by the issue of the 341,150,000 Placing Shares.

The Placing is not subject to shareholders’ approval as the Placing Shares will be allotted and issued under general mandate.

The placing has been completed on 27 July 2021. For details of the placing, please refer to the Company’s announcements dated 2 July 2021, 21 July 2021 and 27 July 2021.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	37,844	27,903
Other income	4	526	5,879
Cost of inventories sold		(53)	–
Other gains and losses	5	42	220
Loss on disposal of financial assets at fair value through profit or loss		–	(11,544)
Fair value change on financial assets at fair value through profit or loss		–	(3,658)
Net realised and unrealised gain (loss) on financial assets held-for-trading		79,385	(22,175)
Impairment reversal (loss) on accounts receivable, net		27,658	(12,135)
Impairment reversal on other receivables, net		1,430	–
Staff costs	6	(20,898)	(19,125)
Commission expenses		(2,839)	(2,183)
Depreciation of property and equipment	12	(1,452)	(1,549)
Depreciation of right-of-use assets		(3,581)	(3,319)
Finance costs	7	(1,237)	(1,349)
Other operating expenses		(15,173)	(11,295)
Share of profit (loss) of an associate		109	(4)
Profit (loss) before tax		101,761	(54,334)
Income tax expense	8	(3,632)	(436)
Profit (loss) and total comprehensive income (expense) for the period	9	98,129	(54,770)
Profit (loss) for the period attributable to:			
– Owners of the Company		101,143	(54,770)
– Non-controlling interests		(3,014)	–
		98,129	(54,770)
Total comprehensive income (expense) attributable to:			
– Owners of the Company		101,143	(54,770)
– Non-controlling interests		(3,014)	–
		98,129	(54,770)
Earnings (loss) per share (HK cents)			
Basic	11	5.93	(4.45)
Diluted	11	5.86	(4.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Goodwill		2,016	2,016
Trading rights		–	–
Other intangible assets		1,246	1,246
Interest in an associate		596	487
Property and equipment	12	2,388	3,643
Statutory deposits		3,063	4,181
Rental and utility deposits		772	272
Right-of-use assets		6,685	6,330
Financial assets at fair value through profit or loss	14	8,665	8,665
Financial assets at fair value through other comprehensive income	13	29,517	29,517
		<u>54,948</u>	<u>56,357</u>
Current assets			
Inventories		87	183
Accounts receivable	15	415,087	442,842
Prepayments, deposits and other receivables		71,311	108,678
Financial assets at fair value through profit or loss	14	358,403	247,338
Derivative financial assets		4,735	4,735
Bank balances and cash		79,941	64,200
		<u>929,564</u>	<u>867,976</u>
Asset classified as held-for-sale		<u>4,926</u>	<u>4,926</u>
		<u>934,490</u>	<u>872,902</u>
Current liabilities			
Accounts payable	16	26,631	50,702
Accrued liabilities and other payables		7,871	8,392
Convertible bonds		–	17,302
Lease liabilities		4,166	5,495
Tax payable		4,824	2,420
		<u>43,492</u>	<u>84,311</u>
Net current assets		<u>890,998</u>	<u>788,591</u>
Total assets less current liabilities		<u>945,946</u>	<u>844,948</u>

	30 June 2021 <i>Notes</i> HK\$'000 (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Convertible bonds	5,231	4,940
Deferred tax liabilities	4,213	424
Lease liabilities	2,452	880
	<u>11,896</u>	<u>6,244</u>
Net assets	<u>934,050</u>	<u>838,704</u>
Capital and reserves		
Share capital	1,680,531	1,680,295
Reserves	<u>(742,913)</u>	<u>(841,037)</u>
Equity attributable to owners of the Company	937,618	839,258
Convertible bond issued by a subsidiary	80	80
Non-controlling interests	<u>(3,648)</u>	<u>(634)</u>
Total equity	<u>934,050</u>	<u>838,704</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
			Convertible	Investments					Convertible	Non-	
	Share	Capital	bonds	revaluation	Share option	Other	Accumulated		bond	controlling	
	capital	reserve	reserve	reserve	reserve	reserve	losses	Total	issued by a	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note a)				(Note b)					
At 1 January 2021 (Audited)	1,680,295	123,758	10,476	(178,117)	34,851	(767)	(831,238)	839,258	80	(634)	838,704
Profit and total comprehensive income for the period	-	-	-	-	-	-	101,143	101,143	-	(3,014)	98,129
Acquisition of subsidiaries	-	-	-	-	-	-	(87)	(87)	-	-	(87)
Issue of shares upon exercise of share options	236	-	-	-	(53)	-	-	183	-	-	183
Reversal of share option reserve upon lapse of share options	-	-	-	-	(27,375)	-	27,375	-	-	-	-
Reversal of deferred tax liabilities	-	-	1,474	-	-	-	(4,353)	(2,879)	-	-	(2,879)
Reversal of convertible bonds reserve	-	-	(10,338)	-	-	-	10,338	-	-	-	-
At 30 June 2021 (Unaudited)	1,680,531	123,758	1,612	(178,117)	7,423	(767)	(696,822)	937,618	80	(3,648)	934,050

	Attributable to owners of the Company							
	Share capital	Capital reserve	Convertible bonds reserve	Investments revaluation reserve	Share option reserve	Other reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note a)					(Note b)		
At 1 January 2020 (Audited)	1,585,239	123,758	17,536	(160,580)	27,374	(767)	(806,697)	785,863
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(54,770)	(54,770)
Reversal of convertible bonds reserve upon disposal of convertible bonds	-	-	(8,626)	-	-	-	7,390	(1,236)
At 30 June 2020 (Unaudited)	<u>1,585,239</u>	<u>123,758</u>	<u>8,910</u>	<u>(160,580)</u>	<u>27,374</u>	<u>(767)</u>	<u>(854,077)</u>	<u>729,857</u>

Notes:

(a) Capital reserve

Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong had approved the reduction of the Company's capital and the cancellation of the Company's share premium account. The credit arising from the reduction of the share capital account and cancellation of the share premium account, after eliminated against the accumulated loss, in the aggregate amount of HK\$123,758,200 was transferred to a capital reserve account of the Company. Such capital reserve account will not be treated as realised profits, and shall be treated as an undistributable reserve of the Company until and unless the creditors of the Company as at the date of the sanction are fully settled. In view of the fact that the Company had already fully settled the relevant debts due to the creditors, the Company is of the view that the reserve is distributable to the Company's shareholders.

(b) Other reserve

Other reserve represented the differences between the purchase considerations and the amounts acquired from non-controlling interests arising from acquisitions of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited respectively completed in 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	<u>37,430</u>	<u>(272,288)</u>
Net cash (used in) from investing activities	<u>(16,189)</u>	<u>255,978</u>
Net cash used in financing activities	<u>(5,500)</u>	<u>(4,374)</u>
Net increase (decrease) in cash and cash equivalents	15,741	(20,684)
Cash and cash equivalents at the beginning of the period	<u>64,200</u>	<u>70,788</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>79,941</u></u>	<u><u>50,104</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL

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

The Company and its subsidiaries (the “Group”) are principally engaged in the provision of financial services, proprietary trading and sale and distribution of healthcare products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The preparation of the interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The financial information relating to the year ended 31 December 2020 that is included in the unaudited condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 audited consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

- Amendment to HKFRS 16, COVID-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

None of these developments have had a material effect on the way the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers		
Disaggregated by major services lines		
– Brokerage commission and other related fees from dealing in securities and futures and options contracts	7,481	5,033
– Underwriting, sub-underwriting, placing and sub-placing commission	289	1,001
– Arrangement, referral, advisory and other fee income	4,520	5,134
– Sale and distribution of healthcare products	51	–
	<u>12,341</u>	<u>11,168</u>
Revenue from other sources		
– Interest income from clients	25,503	16,735
	<u>37,844</u>	<u>27,903</u>
Other income		
Interest income from authorised institutions	80	337
Interest income from convertible bonds	–	3,255
Government grants (<i>note</i>)	72	857
Sundry income	374	1,430
	<u>526</u>	<u>5,879</u>
Total income	<u><u>38,370</u></u>	<u><u>33,782</u></u>

Note: During the six months ended 30 June 2021, the Group recognized government grants of approximately HK\$72,000 in respect of COVID-19-related subsidies, of all of those were related to Employee 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 attached to the receipts of those subsidies.

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group operates financial services, proprietary trading and healthcare businesses and classifies its business into six (2020: five) operating segments, namely brokerage and financing businesses, corporate finance and other advisory services, asset management, insurance brokerage, proprietary trading and sale and distribution of healthcare products and reports to the Group's Executive Committee (being the Group's Chief Operating Decision Maker) accordingly. Details of these six operating and reportable segments are summarised as follows:

- (i) the brokerage and financing segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, and placing and underwriting services;
- (ii) the corporate finance and other advisory services segment engages in the provision of corporate financial advisory services and company secretarial services;
- (iii) the asset management segment engages in the provision of asset management services;
- (iv) the insurance brokerage segment engages in the provision of insurance brokerage services;
- (v) the proprietary trading segment engages in the 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.

The following tables represent revenue and results information of these operating segments for the six months ended 30 June 2021 and 2020.

Six months ended 30 June 2021 (Unaudited)

	Brokerage and financing <i>HK\$'000</i>	Corporate finance and other advisory services <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	33,273	4,520	-	-	-	51	37,844	-	37,844
Inter-segment sales	-	286	-	-	-	-	286	(286)	-
	<u>33,273</u>	<u>4,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51</u>	<u>38,130</u>	<u>(286)</u>	<u>37,844</u>
Segment profit (loss)	<u>38,869</u>	<u>(878)</u>	<u>(752)</u>	<u>(382)</u>	<u>77,826</u>	<u>(6,151)</u>	<u>108,532</u>	<u>-</u>	<u>108,532</u>
Unallocated administrative costs									(6,880)
Share of profit of an associate									<u>109</u>
Profit before tax for the period									<u><u>101,761</u></u>

Six months ended 30 June 2020 (Unaudited)

	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	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	22,769	5,134	–	–	–	27,903	–	27,903
Inter-segment sales	14	966	–	–	–	980	(980)	–
	<u>22,783</u>	<u>6,100</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,883</u>	<u>(980)</u>	<u>27,903</u>
Segment profit (loss)	<u>(1,653)</u>	<u>(403)</u>	<u>(924)</u>	<u>(319)</u>	<u>(22,934)</u>	<u>(26,233)</u>	<u>–</u>	<u>(26,233)</u>
Unallocated administrative costs								(12,895)
Loss on disposal of financial assets at fair value through profit or loss (“FVTPL”)								(11,544)
Fair value change on financial assets at FVTPL								(3,658)
Share of loss of an associate								<u>(4)</u>
Loss before tax for the period								<u>(54,334)</u>

Segment profit or loss represents the profit earned by/loss from each segment, before the adjustments of unallocated administrative costs, fair value change on financial assets at FVTPL, share of profit or loss of an associate and loss on disposal of financial assets at FVTPL. This is the measure reported to the Group’s Executive Committee for the purposes of resource allocation and performance assessment.

For the six months ended 30 June 2021, no single customer (six months ended 30 June 2020: Nil) contributed 10% or more of the Group’s revenue. The Group’s operations are mainly located in Hong Kong (place of domicile). The Group’s revenue from external customers is mainly derived from Hong Kong for the six months ended 30 June 2021 and 2020. Almost all of its non-current assets 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 AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) gain on disposal of property and equipment	(23)	250
Net exchange gain (loss)	<u>65</u>	<u>(30)</u>
	<u>42</u>	<u>220</u>

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff commission	1,461	1,662
Salaries and wages	17,338	15,162
Staff welfare	942	743
Recruitment costs	13	64
Provision of long service payment/annual leave benefits	274	70
Retirement benefits scheme contributions	438	403
Discretionary and performance related incentive payments and provision of gratuity	<u>432</u>	<u>1,021</u>
	<u>20,898</u>	<u>19,125</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on:		
Convertible bonds	1,145	1,184
Lease liabilities	92	165
	<u>1,237</u>	<u>1,349</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	2,310	638
United States ("US") Maryland ("MD") Tax and Federal Income Tax	11	
Over provision in prior year		
– Hong Kong Profits Tax	–	(36)
Deferred tax		
Current year	1,311	(166)
	<u>3,632</u>	<u>436</u>

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime (8.25% and 16.5%) of the estimated assessable profits for both periods.

The US corporate tax rate is 21% 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% 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.

9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Included in other operating expenses:		
Auditor's remuneration	579	540
Depreciation of property and equipment	1,452	1,549
Depreciation for right-of-use assets	3,581	3,319
Entertainment and travel expenses (mainly incurred for business development)	2,951	2,128
	<u> </u>	<u> </u>

10. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). The directors of the Company have determined that no dividend will be paid for the six months ended 30 June 2021.

11. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share		
Earnings (loss) for the period attributable to owners of the Company	101,143	(54,770)
	'000	'000
Number of shares		
Weighted average number of ordinary shares:		
– For purpose of basic earnings (loss) per share	1,705,628	1,230,952
– Assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period	20,614	–
	1,726,242	1,230,952

The computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding convertible bonds since the exercise of the convertible bonds would result in a decrease in earnings (loss) per share for the six months ended 30 June 2021 and 2020.

12. PROPERTY AND EQUIPMENT

	As at 30 June 2021	As at 31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Carrying value, at beginning of the period/year	3,643	5,915
Additions	220	828
Depreciation	(1,452)	(3,095)
Written off/Disposal	(23)	(5)
Carrying value, at end of the period/year	2,388	3,643

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unlisted equity securities (<i>notes a & b</i>)	29,517	29,517
Analysed for reporting purpose as non-current assets	29,517	29,517

Notes:

- (a) On 8 June 2018, the Company issued convertible bonds with 2% coupon rate at a total principal value of HK\$160,000,000 to an independent third party, CVP Financial Group Limited, as the consideration of the acquisition of 18% of the entire equity securities issued by Hackett Enterprises Limited, a private entity incorporated in the Republic of Seychelles, which, together with its subsidiaries, is engaged in the business of provision of loan financing and financial consultancy services in the PRC and the provision of money lending services in Hong Kong. The investment was classified as financial assets at fair value through other comprehensive income ("FVTOCI") on initial recognition and subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income and accumulated in the investments revaluation reserve.
- (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 Hong Kong respectively. The fair value of investment were approximately to HK\$ nil as at 30 June 2021 and 31 December 2020.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Convertible bonds (<i>note a</i>)	8,665	8,665
Listed equity securities listed in Hong Kong (held-for-trading)	358,403	247,338
	367,068	256,003
Analysed for reporting purpose:		
Non-current assets	8,665	8,665
Current assets	358,403	247,338
	367,068	256,003

Note:

- (a) 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 (Stock code: 2708) issued on 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.

15. ACCOUNTS RECEIVABLE

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>note a</i>):		
Clearing house	3,501	22,670
Cash clients	5,080	27,342
Futures and options contracts transactions (<i>note a</i>):		
Clearing house	17	17
	<u>8,598</u>	<u>50,029</u>
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services (<i>note a</i>)	3,156	4,139
Less: Impairment loss	<u>(1,033)</u>	<u>(1,031)</u>
	<u>2,123</u>	<u>3,108</u>
Accounts receivable arising from the ordinary course of business of money lending services (<i>note b</i>)	265,745	300,263
Less: Impairment loss	<u>(31,883)</u>	<u>(51,177)</u>
	<u>233,862</u>	<u>249,086</u>
Accounts receivable arising from the ordinary course of business of dealing in (<i>note c</i>):		
Securities transactions:		
Margin clients	177,375	155,159
Less: Impairment loss	<u>(15,070)</u>	<u>(23,436)</u>
	<u>162,305</u>	<u>131,723</u>
Accounts receivable arising from the ordinary course of business of sale and distribution of healthcare products:	8,199	8,896
	<u>415,087</u>	<u>442,842</u>

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 expected credit loss (“ECL”). The ECL on 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:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 30 days	7,668	49,726
31-90 days	68	12
Over 90 days	862	291
	<u>8,598</u>	<u>50,029</u>

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:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 30 days	327	499
31-90 days	250	563
Over 90 days	1,546	2,046
	<u>2,123</u>	<u>3,108</u>

- (b) As at 30 June 2021, accounts receivable arising from money lending services bear fixed-rate interest from 1.25% to 1.5% per month or 12% per annum (31 December 2020: from 1.25% to 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 30 June 2021, accounts receivable with net carrying amount of approximately HK\$161 million (31 December 2020: HK\$59 million) were secured by the client's pledged listed securities and client's properties.
- (c) The accounts receivable due from margin clients of approximately HK\$177,375,000 (31 December 2020: HK\$155,159,000) were secured by the clients' pledged listed securities which carried a fair value of approximately HK\$440,084,000 (31 December 2020: HK\$346,109,000).

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

Accounts receivable for margin clients of approximately HK\$36,586,000 (31 December 2020: HK\$31,648,000), which are not fully secured by the respective clients' listed securities, are considered as credit-impaired. An impairment of approximately HK\$14,674,000 (31 December 2020: HK\$22,981,000) was made by the management after taking into account subsequent additional cash and securities collateral. Such accounts receivable due from margin clients were assessed to be credit impaired and classified as stage 3 during the period as it became default to repay the outstanding balance for a period of time.

16. ACCOUNTS PAYABLE

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities:		
Clearing house	18,805	4,546
Cash clients	2,211	44,201
Margin clients	706	302
	<u>21,722</u>	<u>49,049</u>
Accounts payable arising from the ordinary course of business of placing and underwriting services	3,500	—
Accounts payable arising from sale and distribution of healthcare products	<u>1,409</u>	<u>1,653</u>
	<u><u>26,631</u></u>	<u><u>50,702</u></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 pending settlement which are usually due within two trading days after the trade date or deposits received from clients for their securities dealing activities. Only the excessive amounts over the required deposits stipulated are repayable on demand.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The Company has not redeemed any of its shares during the six months ended 30 June 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2021.

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 six months ended 30 June 2021, which were contained in Appendix 14 of the Listing Rules, with the deviations mentioned below:

Code provision A.4.1

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, all Directors, including Non-executive Directors, are subject to retirement by rotation and re-election 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 and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and results for the six months ended 30 June 2021 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 six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report for the six months ended 30 June 2021 will be available at the same websites and will be dispatched to the Company's shareholders in due course.

BOARD OF DIRECTORS

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

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

Hong Kong
30 August 2021