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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 2021

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 2021 together with the audited comparative figures of the corresponding period in 2020.

	Year ended	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Revenue from continuing operations	90,554	68,370
Profit (loss) for the year from continuing operations	28,773	(35,760)
(Loss) profit for the year from discontinued operations	(21,979)	3,439
Profit (loss) attributable to owners of the Company	15,188	(31,687)
Earnings (loss) per share (HK cents)		
Continuing and discontinued operations		
Basic	0.81	(2.36)
Diluted	0.81	(2.36)
Continuing operations		
Basic	1.54	(2.66)
Diluted	1.53	(2.66)
Final dividend per share (HK cents)	Nil	Nil

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 digital assets industry in year 2021. 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; (ii) proprietary trading; and (iii) sale and marketing of digital assets. During the year, the sale and distribution of healthcare products business was disposed.

INDUSTRY OVERVIEW

In 2021, while the continuing waves of COVID-19 pandemic in the early months across regions deepened the global health crisis, accelerated vaccine rollouts and major stimulus packages in many economies provided a beacon of hope. However, the ferocious surge of COVID-19 cases driven by the emergence of new variants in the second half of the year led to trade and supply chain disruptions, creating a major barrier to a full return of global economic activities.

Despite multiple headwinds that threatened to derail recovery from the COVID-19, China's economy continued its strong rebound in 2021. According to National Bureau of Statistics of China, the country's economy recorded the fastest expansion in nearly a decade at 8.1% in 2021, exceeding the government's target of above 6%. Regarding the domestic financial market, foreign capital flow to China's equity markets reached a record high in 2021, as the country further opened its financial market and regulatory changes directed offshore investors to the mainland stock markets. Net volume of capital flows almost doubled from the level of 2020.

Although the COVID-19 pandemic is still raging in much of the world, the stock market turned in a solid performance in 2021. In the U.S., the S&P 500 gained 26.9% and notched 70 all-time highs; while the Dow Jones Industrial Average and the Nasdaq Composite jumped 18.7% and 21.4%, respectively.

In Hong Kong, economic performance in 2021 gave cause for optimism. Alongside a robust export performance and the improved private consumption, Hong Kong's real GDP expanded notably by 6.4%, reversing the declines in the previous two years. Unfortunately, the city's promising economic performance did not prevent Hong Kong stock market from taking a battering in 2021. In particular, the technology and internet sector dragged the Hang Seng Index down 14.1%, and the Hang Seng Technology Index fell 34.8%. Regulatory crackdowns on sectors such as e-commerce, videogames, gambling and after-school tutoring raised investors' concern and triggered sell-off of stocks of China's real estate developers and tech giants. On the initial public offering ("IPO") front, Hong Kong remained one of the world's most active IPO fundraising hubs, with 99 new IPOs and over HK\$318.9 billion raised in 2021. In addition, the China concept stocks raised a total of HK\$100.3 billion during the year. According to PwC's report, the surge of biotech IPOs made Hong Kong the largest biotech fundraising hub in Asia in 2021. Meanwhile, Hong Kong's securities market remained vibrant, with total funds raised and average daily turnover in 2021 reaching HK\$770.7 billion and HK\$166.7 billion, representing year-on-year increases of 3.0% and 29.0%, respectively, according to Hong Kong Exchanges and Clearing Limited.

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 marketing of digital assets. During the year, the sale and distribution of healthcare product business was disposed.

During the year, under the backdrop of the recurrence of COVID-19 outbreak and intensely competitive Hong Kong financial market, the Group continued to capitalize on its core competitiveness and solid experience in financial service sector to maintain a strong performance in its financial businesses, which resulted in a steady increase in the Group's total revenue.

While focusing on the development of existing businesses, the Group is also actively seeking different business development opportunities. During the year, the Group has identified a market opportunity and launched the business of sale and marketing of digital assets to actively enter the internet generation Z market, closely following the internet development trend represented by digital assets and developing related businesses, with an aim to diversify the business and expand the Group's income base.

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\$545 million), representing 44.5% shareholding in the PRC JV Company.

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

Disposal of entire holding of 30% equity interest in Telebox Technology Holdings Limited

On 20 March 2020, Initial Honour Limited (“Initial Honour”), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Chen Yu Zhen (“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. The disposal was completed on 17 December 2021, and the consideration balance was fully settled.

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\$68,000,000. A deposit of HK\$7,000,000 had been paid.

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. A deposit of HK\$4,000,000 had been paid.

On 30 November 2020, 31 May 2021 and 31 December 2021, VCCML entered into the third, the fourth and the fifth memorandum of understanding with Mr. Chan to further extend the long stop date of completion of the aggregate 32% equity interest in China Bloom and the latest long stop date being 30 June 2022.

On 21 March 2022, Mr. Chan entered into a loan agreement with VC Finance Limited (“VC Finance”), an indirectly wholly owned subsidiary, in the amount of HK\$16,700,000, out of which HK\$11,000,000 was applied to refund the above aggregate deposit to VCCML and the remaining HK\$5,700,000 was applied to repay Mr. Chan’s existing indebtedness to VC Finance. By virtue of a deed of settlement entered into on the same date between Mr. Chan and VCCML, the series of memorandum of understanding shall have null effect and the acquisition of 32% equity interest in China Bloom shall not proceed.

Deed of settlement

On 25 June 2021, CVP Financial Group Limited (“CVP”), the Company, 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 is 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.

Disclosable transaction – acquisitions of HG Semiconductor Limited’s shares

The Company conducted a series of acquisitions in the open market from 22 July 2021 to 7 October 2021 and acquired a total of 5,158,000 HG Semiconductor Limited (Stock Code: 6908) (“HG Semiconductor”) shares for an aggregate consideration of approximately HK\$38.3 million (excluding stamp duty and related expenses), which was financed by the Group’s internal resources. The average price (excluding stamp duty and related expenses) for the acquisitions of each HG Semiconductor share was approximately HK\$7.42. The acquired shares represented approximately 0.94% of the total HG Semiconductor shares in issue on 7 October 2021. Since then up to 31 December 2021, a further 3,407,000 shares of HG Semiconductor were acquired.

Disposal of entire holding of 100% equity interest in VC Global Investments Limited

On 9 December 2021, the Company as vendor entered into a sale and purchase agreement with the Ms. Su Miaojuan (“Ms. Su”) as purchaser, pursuant to which the Company has agreed to sell to Ms. Su, and Ms. Su has agreed to purchase from the Company, the entire holding of 100% equity interest in VC Global Investments Limited (“VC Global”) and the Company has agreed to assign to Ms. Su, and Ms. Su has agreed to receive the assignment of, the shareholder’s loan at an aggregate consideration of HK\$7,000,000.

VC Global is principally engaged in investment holding, and has three subsidiaries which are principally engaged in sale and distribution of healthcare products. As a result of the disposal, the Group discontinued the healthcare business. Loss on disposal of approximately HK\$107,000 was recorded in the consolidated financial statements.

The disposal was completed on 24 December 2021. For details of the transaction, please refer to the Company’s announcements dated 9 December 2021 and 24 December 2021, respectively.

Entering into a business cooperation agreement with E-Home Entertainment

On 13 December 2021, Shenzhen Qianhai Value Convergence Technology Power Co. Ltd. (“Qianhai VCT”), an indirect wholly owned subsidiary of the Company and being a wholly foreign-owned enterprise legally established and subsisting in Shenzhen under the laws of the PRC with limited liabilities, entered into a business cooperation agreement with E-Home Entertainment Development Company Ltd. (“E-Home Entertainment”).

Pursuant to the business cooperation agreement, Qianhai VCT and E-Home Entertainment agreed to commence in-depth cooperation in the internet industry and jointly carry out integrated market development in various areas including Chinese console games market, expansion of domestic games into overseas markets and digital marketing to gain competitive advantages in the market. Meanwhile, both parties shall coordinate their resources, channels and market advantages to develop long-term cooperation throughout the entire business process, and shall adjust the scope of cooperation depending on actual market conditions. Last but not least, both parties shall provide each other with adequate commercial and technical support, establish a close and efficient information sharing mechanism and communicate regularly to share resources and promote each other's products and services.

Formation of a joint venture in relation to digital products

On 24 December 2021, Qianhai VCT has established a subsidiary, namely Shenzhen Huiwei Duoying Technology Co. Ltd. (the "Subsidiary"), with Shenzhen Yiyun Information Electronic Co. Ltd. ("Shenzhen Yiyun Information") and Ms. Li Xiaowen as other shareholders. The equity interests of the Subsidiary are held as to 51%, 25% and 24% by Qianhai VCT, Shenzhen Yiyun Information and Ms. Li Xiaowen, respectively. The Subsidiary is principally engaged in the sales and marketing of digital assets and has made plans with regard to, including but not limited to, the business of sales and marketing of digital products of Tencent with an expectation to obtain exclusive sales rights from digital product distributors of Tencent. The digital products of Tencent range from Tencent Games, QQ, video and music. The sale and marketing of digital assets business of the Group generated a gross merchandise volume (GMV) of approximately RMB0.98 million in 2021 and approximately RMB13 million from January to February 2022.

Details of the Group's business performance of each operating segment for the year ended 31 December 2021, together with the comparative figures of the corresponding period in 2020, are given in the section "FINANCIAL REVIEW" below.

OUTLOOK

The recovery of global economy is set to decelerate markedly amid continued COVID-19 flare-ups, intensifying geopolitical tensions, and lingering supply bottlenecks. The world economy is, as the World Bank described, simultaneously facing COVID-19, inflation, and policy uncertainties, with government spending and monetary policies in uncharted territory. Despite the negative factors, the global economy is on track to grow by 4.1% in 2022, according to the World Bank. As the world's second-largest economy, China has unveiled a 5.5% economic growth target for 2022 at the opening of the annual parliament meeting. It is expected that China's sound fundamentals along with ample room for policy manoeuvres will support its steady economic growth.

In respect of Hong Kong economy, uncertainties clouded by the escalating threat of the Covid variant continue to erode the city's consumer confidence. However, with the supportive fiscal measures launched by the Hong Kong government, a better performance is expected in the second half of the year, contributing to an estimated 2.0% to 3.5% economic growth in real terms for the whole year. Although the geopolitical issues have triggered the risk-off sentiment in Hong Kong's stock market, Hong Kong, being China's most internationalized city with the free flow of capital, ample liquidity, and an ability to innovate and reform to embrace change, is certain to remain the most preferred overseas listing destination for Chinese companies.

With the rapid development of the digital economy and the ever-growing blockchain technology, the market size of digital assets continues to grow, coupled with the corresponding extension and breakthrough in the mode of application and regulatory policies. Digital assets such as digital currencies, non-fungible token (NFT) and digital assets, which are interoperable to a certain extent with the real world, have also been gaining attention from the market. It is expected that the digital economy will grow exponentially in the future and that digital asset transactions will act as a bridge between traditional assets and digital assets.

Looking ahead, the Group remains optimistic about the development of its financial services business. On the other hand, capitalizing on the strategic partnership and in-depth business collaboration between the Group and its partners, namely E-Home Entertainment and Shenzhen Yiyun Information, the Group plans to allocate more resources to further develop the sale and marketing of digital assets business in every aspects, with a view to developing the digital assets market through digital assets marketing, IP collaboration and marketing cooperation, in order to promote the development of the internet business which is spearheaded by digital assets. The Group remains cautiously optimistic about the prospects of new business, which is expected to start contributing to the Group's revenue in this financial year.

LONG-TERM BUSINESS STRATEGY

The Group strives to enlarge the revenue base through fostering 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 seeks to identify investment opportunities in key sectors of the market, and to keep a grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted.

The Group intends to further its presence in the digital asset industry with a view to capturing the potential growth in the era of digital asset and driving synergies between the internet business represented by digital assets and other business segments of the Group to enhance the Group's profitability and market share in the digital assets industry.

The Group maintains competitive advantage through its long term support from customers accumulated over the years; excellent and diversified services that meet the needs of its customers; competitive fees; and a proactive and professional team that is willing to innovate and explore new markets. The Group also looks into integrating into the newly developed digital asset sector to upgrade its financial services to digital assets trading services approved for implementation by local regulatory authorities, in order to achieve greater returns for investors and shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's consolidated revenue from continuing operations was approximately HK\$90.6 million, which increased by about 32% as compared with the same period in 2020 of approximately HK\$68.4 million. The Group recorded a consolidated profit attributable to shareholders amounted to approximately HK\$15.2 million for the year ended 31 December 2021 against a loss of approximately HK\$31.7 million for the same period in 2020.

The improvement in the Group's consolidated result attributable to shareholders in 2021 was mainly attributable to (i) increase in revenue of approximately HK\$22.2 million; (ii) increase in net realised and unrealised result on financial assets held for trading of approximately HK\$19.6 million; (iii) reduction of impairment loss on accounts receivable of approximately HK\$23.7 million; but (iv) partially offset by turnaround from profit to loss incurred in the discontinued healthcare business of approximately HK\$16.1 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

	2021		2020		Increase (decrease) %
	<i>HK\$'000</i>	Proportion of total revenue %	<i>HK\$'000</i>	Proportion of total revenue %	
Revenue from continuing operations:					
Brokerage and Financing	82,824	92%	59,167	86%	40%
Brokerage commission and other related fees	13,587	15%	13,795	20%	(2%)
Underwriting, sub-underwriting, placing and sub-placing commission	15,529	17%	1,620	2%	859%
Interest income from brokerage clients	16,017	18%	12,990	19%	23%
Interest income from money lending clients	37,691	42%	30,762	45%	23%
Corporate Finance and Other Advisory Services	7,430	8%	9,203	14%	(19%)
Asset Management	–	–	–	–	–
Insurance Brokerage	10	0%	–	–	100%
Proprietary Trading	284	0%	–	–	100%
Sale and marketing of digital assets	6	0%	–	–	100%
Total revenue	<u>90,554</u>	<u>100%</u>	<u>68,370</u>	<u>100%</u>	32%

Segment Analysis

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Segment results:		
Brokerage and Financing	50,889	17,624
Corporate Finance and Other Advisory Services	455	(414)
Asset Management	(1,629)	(1,372)
Insurance Brokerage	(746)	(659)
Proprietary Trading	31,695	10,696
Sale and marketing of digital assets	(3,174)	–
	<hr/>	<hr/>
Group segment profit	77,490	25,875
Gain on acquisition of financial assets at fair value through profit or loss	–	3,979
Fair value change on financial assets at fair value through profit or loss	299	(2,130)
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)
Unallocated administrative costs	(38,351)	(50,224)
Share of profit of an associate	194	127
	<hr/>	<hr/>
Profit (loss) before taxation	39,632	(34,144)
Income tax expenses	(10,859)	(1,616)
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Profit (loss) for the year from continuing operations	28,773	(35,760)
(Loss) profit for the year from a discontinued operation	(21,979)	3,439
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Profit (loss) for the year	6,794	(32,321)
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Brokerage and Financing

During the year ended 31 December 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 another indirect wholly owned subsidiary, VC Finance, provides money lending services. For the year ended 31 December 2021, the brokerage and financing businesses recorded total revenue of approximately HK\$82.8 million as compared with approximately HK\$59.2 million for the same period last year, representing an increase of about 40%, and accounted for about 92% 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 2021 amounted to approximately HK\$13.6 million, which was about 2% lower than that of 2020 of approximately HK\$13.8 million, and accounted for about 15% of the Group's total revenue. The average daily turnover of the Group's brokerage transactions decreased by about 22% as compared to that of 2020.

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2021 increased by about 23% to approximately HK\$53.7 million from approximately HK\$43.8 million for the same period last year, and accounted for about 60% of the Group's total revenue. The revenue included the interest income derived from both the brokerage business and the money lending business.

Brokerage clients financing

Among the above, the Group's interest income from our brokerage clients recorded approximately HK\$16.0 million for the year ended 31 December 2021, representing an increase of about 23% as compared to approximately HK\$13.0 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 24% for the year ended 31 December 2021 as compared with the same period last year. For the year ended 31 December 2021, there was a reversal of impairment loss of approximately HK\$16.7 million on brokerage client receivables (2020: impairment loss of HK\$1.8 million) in accordance with the Group's credit control policies and procedures and requirements of relevant financial reporting standard. The average interest rate for brokerage clients is approximately 12%. Almost all brokerage client receivables are pledged with securities held by the clients.

Money lending clients financing

The Group also provides money lending services to our clients. The Group's interest income generated from the money lending services was approximately HK\$37.7 million for the year ended 31 December 2021, representing an increase of about 23% as compared to approximately HK\$30.8 million for the same period last year. The increase was mainly contributed by an increase of average loan portfolio of the money lending business by 41% in 2021 as compared with the same period last year. For the year ended 31 December 2021, there was an additional impairment loss of approximately HK\$19.4 million on client receivables from money lending client receivables (2020: HK\$19.7 million) in accordance with the Group's credit control policies and procedures and requirements of relevant financial reporting standard. The additional impairment loss during the year was due to drop in value of certain collaterals provided by clients and were properly reflected in the financial statements. The average interest rate for money lending clients is approximately 13.8%. As at 31 December 2021 gross amounts advanced to corporate borrowers and individual borrowers are in approximate ratio of 35% versus 65%. Approximately 30% of money lending client receivables were covered by collaterals including legal charges on properties and securities owned by the borrowers or their associates. The amounts indebted by the largest and largest five borrowers accounts for approximately 42% and 37% of the entire gross loan amount of the money lending clients, respectively.

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. 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 11 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 2021, the Group's placing and underwriting commission was approximately HK\$15.5 million as compared with approximately HK\$1.6 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\$9.5 million for the year ended 31 December 2021 as compared with a profit of approximately HK\$3.1 million for the same period last year. The substantial improvement of the operating performance in 2021 was mainly due to the Group being successfully secured certain placing and underwriting transactions from the capital market.

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 2021, 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 2021, the Company’s corporate finance and other advisory services recorded revenue and operating profit after tax of approximately HK\$7.4 million and HK\$0.5 million as compared with approximately HK\$9.2 million and loss of HK\$0.4 million for the same period last year, respectively.

Asset Management

For the year ended 31 December 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\$1.6 million as compared with a loss of approximately HK\$1.4 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 (“Experts Management”), an indirect wholly owned subsidiary, was engaged in the provision for insurance brokerage service. Experts Management owns insurance broker company licence and is entitled to conduct long term insurance business. During the year, Experts Management first recorded revenue of approximately HK\$10,000 (2020: Nil) with an operating loss of approximately HK\$746,000 (2020: HK\$659,000). With the establishment of sales team and penetration through different sales channels, the Group is optimistic in the future performance of this business segment.

Proprietary Trading

As at 31 December 2021, the Group held equity securities listed in Hong Kong of approximately HK\$423.5 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 42% of the Group's total assets as at 31 December 2021 (31 December 2020: 27%). 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 2021, there was net purchase in securities investment of approximately HK\$186.3 million (2020: HK\$66.4 million).

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$284,000 (2020: Nil) from the proprietary trading business. Meanwhile, the Group recognised a net gain of approximately HK\$32.9 million (including a realised loss of approximately HK\$16.7 million and an unrealised gain of approximately HK\$49.6 million) on the trading investments for the year ended 31 December 2021 as compared with 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) for the same period in 2020.

Below is an analysis of the financial assets held for trading held by the Group as at 31 December 2021:

Industries	Market value as at 31 December 2021 HK\$'000	Percentage to the Group's total assets	Unrealised gain (loss) for the year ended 31 December 2021 HK\$'000
Energy	89.1	8.9%	19.5
Information technology	195.4	19.6%	9.1
Consumer goods and services	41.0	4.1%	32.3
Materials	5.1	0.5%	(0.7)
Financials	32.6	3.3%	(10.2)
Industrials	60.3	6.0%	(0.4)
	<u>423.5</u>	<u>42.4%</u>	<u>49.6</u>

While the performance of different industries did vary, the Group cautiously monitors the investment portfolio and shall be determined to make any strategic moves. After sustaining years of loss, the proprietary trading segment recorded a turnaround in year 2021 capturing the gradually optimistic sentiment in the Hong Kong capital market towards end of 2021. Overall, the Group's proprietary trading business recorded an operating profit after tax of approximately HK\$31.7 million for the year ended 31 December 2021 (2020: HK\$10.7 million).

Sale and Marketing of Digital Assets

The Group commenced the sales and marketing of digital assets business in December 2021. As disclosed in the Company's announcement dated 28 December 2021, a joint venture was formed and has made plans with regard to, including but not limited to, the business of sales and marketing of digital products of Tencent with an expectation to obtain exclusive sales rights from digital product distributors of Tencent. The digital products of Tencent range from Tencent Games, QQ, video and music. During the period, the Group recorded a GMV of approximately HK\$1.3 million, represented by the gross amount of digital assets sold to its customers. The Group acts as an agent in the relevant transactions.

Healthcare Products (discontinued operation)

On 24 December 2021, the Group completed the disposal of the healthcare business. As disclosed in the Company's announcement dated 24 July 2020, a joint venture was established 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 for composition and methods for treating COVID-19. With the mass production of the vaccines combating COVID-19 are rapidly applied around the globe, there has been a significant impact on the business of the Group's healthcare business which leads to a drastic drop in the revenue and drastic increase in the financial loss from the financial year 2020 to 2021. Taking into account of the financial performance and the net deficit, the business and operation status of the healthcare business, the management of the Company is not optimistic about the business and its prospects of the healthcare business. As such, the Directors believe that the disposal represents a good opportunity for the Group to realise its investments in the healthcare business and to avoid further losses.

Unallocated administrative costs

For the year ended 31 December 2021, the unallocated administrative costs amounted to approximately HK\$38.4 million as compared with approximately HK\$50.2 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\$11.8 million in 2021 was mainly attributable to the decrease in net intra-group loan expense.

Income tax expenses

For the year ended 31 December 2021, the Group recognized an income tax expense of approximately HK\$10.9 million (2020: income tax expense of HK\$1.6 million) which included current tax expense of approximately HK\$5.3 (2020: HK\$2.2 million) and deferred tax expense of approximately HK\$5.6 million (2020: deferred tax credit of HK\$0.6 million). 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. The deferred tax expense 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 2021, the finance costs of the Group amounted to approximately HK\$2.3 million (2020: HK\$2.8 million), out of which approximately HK\$1.4 million (2020: HK\$2.4 million) was incurred pursuant to the effective interest expense of convertible bonds issued by the Company during the year ended 31 December 2021, together with some finance costs incurred in relation to the Group's brokerage and financing businesses and interest expenses on lease liabilities.

Headcount and employee information

As at 31 December 2021, the Group employed a total of 69 employees (31 December 2020: 64), which excluded 15 self-employed account executives for brokerage services (31 December 2020: 15), and 67 and 2 were located in Hong Kong and the PRC respectively (31 December 2020: 62 and 2 were located in Hong Kong and the USA respectively). Salaries and staff benefit costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$36.4 million and HK\$3.1 million respectively for the year ended 31 December 2021 as compared with approximately HK\$41.6 million and HK\$3.0 million respectively for the same period last year. The decrease in the salaries and staff benefits costs of approximately HK\$5.2 million in 2021 was mainly attributable to no recognition of equity-settled share option expense during the year.

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 2021, the Group financed its business operations and investments with internal resources, cash revenue generated from operating activities, convertible bonds and margin financing.

The Group adopts a prudent treasury policy. As at 31 December 2021, bank balances and cash were denominated in Hong Kong dollars and Renminbi as to approximately HK\$66.7 million and HK\$7.8 million, respectively. The Group intends to maintain minimum exposure to foreign exchange risks and those Renminbi is mainly for the PRC's operation need. All the bank balances and cash were put in saving deposits and current accounts as at 31 December 2021.

As at 31 December 2021, the Group obtained margin financing facilities from certain brokerage firms in the amount of approximately HK\$20.1 million and margin loans obtained amounted to approximately HK\$15.3 million. As at 31 December 2020, the Group did not hold any margin financing facilities.

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

As at 31 December 2021, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$74.5 million (31 December 2020: HK\$64.2 million), HK\$890.7 million (31 December 2020: HK\$788.6 million) and HK\$926.9 million (31 December 2020: HK\$838.7 million) respectively, representing an increase of about 16%, an increase of 13% and an increase of 11% respectively as compared with that of 31 December 2020. Current ratio, expressed as current assets over current liabilities, remained robust at about 17 times as at 31 December 2021 (31 December 2020: 10 times). These showed that the Group still maintained a solid financial position as at 31 December 2021.

As at 31 December 2021, the total numbers of issued ordinary shares of the Company were 2,078,601,598 (31 December 2020: 1,705,051,598)

Placing of new shares under general mandate

On 27 July 2021, the Company successfully completed the placing of 341,150,000 new shares of the Company at issue price of HK\$0.205 per share through Anli Securities Limited as the placing agent (the "2021 Share Placing"). The 341,150,000 placing shares represent (i) approximately 19.81% of the aggregated number of the Company's issued shares immediately before the completion; and (ii) approximately 16.54% of the aggregated number of the Company's issued shares as enlarged by the allotment and issue of the 341,150,000 placing shares. The gross and net proceed of the placing amounted to approximately HK\$69.9 million and HK\$68.8 million, respectively. Further details of the placing are set out in the Company's announcements dated 2 July 2021 and 27 July 2021.

The net proceeds from 2021 Share Placing were used as follows:

Period under review	Purpose of usage	Intended use of proceed HK\$'000	Actual use of proceeds up to 31 December 2021 HK\$'000	Remaining balance of utilized net proceeds HK\$'000	Expected timeline for utilizing the unutilized net proceeds
Since completion of the 2021 Share Placing on 27 July 2021 up to and including 31 December 2021	Provision of margin loans	15,000	15,000	–	N/A
	Money lending business	15,000	15,000	–	N/A
	General working capital	20,000	20,000	–	N/A
	Potential investment opportunities	18,800	18,800	–	N/A
		68,800	68,800	–	
		68,800	68,800	–	

Use of proceeds of previous fund-raising

The net proceeds from the share placing completed on 25 August 2020 (the “2020 Share Placing”) were used as follows:

Period under review	Purpose of usage	Intended use of proceed HK\$'000	Actual use of proceeds up to 31 December 2021 HK\$'000	Remaining balance of utilized net proceeds HK\$'000	Expected timeline for utilizing the unutilized net proceeds
Since completion of the 2020 Share Placing up to and including 31 December 2021	Operating expenses	10,000	10,000	–	N/A
	Provision of margin loans	11,200	11,200	–	N/A
	Money lending business	12,000	12,000	–	N/A
	In relation to the joint venture agreement as disclosed in the Company’s announcement dated 24 July 2020	15,000	15,000	–	N/A
		48,200	48,200	–	
		48,200	48,200	–	

The net proceeds from the convertible bonds placing completed on 6 November 2020 (the “Convertible Bonds Placing”) were used as follows:

Period under review	Purpose of usage	Intended use of proceed <i>HK\$'000</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$'000</i>	Reclassified pursuant to change in use of proceed as disclosed in the Company's announcement dated	Remaining balance of utilized net proceeds	Expected timeline for utilizing the unutilized net proceeds
				24 December 2021 <i>HK\$'000</i>		
Since completion of the Convertible Bonds Placing up to and including 31 December 2021	Provision of margin loans	11,200	11,200	–	–	N/A
	Money lending business In relation to the joint venture agreement as disclosed in the Company's announcement dated 24 July 2020	24,000	24,000	–	–	N/A
		15,000	5,100	9,900	–	N/A
		50,200	40,300	9,900	–	
		50,200	40,300	9,900	–	

Pursuant to the Company's announcement dated 24 December 2021, following the disposal of the healthcare business, approximately HK\$9.9 million of the above unutilized proceeds can no longer be used for such purpose. The Board resolved to change the use of such proceeds to general working capital for operating expenses of the Company including but not limited to rental and salary expenses. Details of the changed use of proceeds were as follows:

Period under review	Purpose of usage	Intended use of proceed <i>HK\$'000</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$'000</i>	Remaining balance of utilized net proceeds <i>HK\$'000</i>	Expected timeline for utilizing the unutilized net proceeds
Since the change in use of proceeds from 24 December 2021 up to and including 31 December 2021	Operating expenses	9,900	9,900	–	N/A

Charges on group assets

As at 31 December 2021, trading securities with fair value of approximately HK\$106.4 million were pledged with certain brokerage firms to obtain margin financing. As at 31 December 2020, 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 2021, majority of the Group's principal businesses were conducted and recorded in Hong Kong dollars with the growing digital assets business in the PRC. Impact from foreign exchange exposure mainly Renminbi was thus immaterial 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 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 31 December 2021, the Group's gearing ratio, expressed as total borrowings (being the margin loans, lease liabilities and liability portion of convertible bonds) over shareholders' equity, was approximately 4% (31 December 2020: 3%).

Significant investments held, their performance and future prospects

For the year ended 31 December 2021, the Group's held the following significant investments:

Financial assets held-for-trading

Included in the financial assets held-for-trading as at 31 December 2021 was the Group's investment in 50,398,000 shares or approximately 9.15% of IBO Technology Company Limited (Stock Code: 2708) ("IBO Technology") with fair value of approximately HK\$125.5 million, which amounts to approximately 13% of the Group's total assets. IBO Technology and its subsidiaries are principally engaged in sale of Radio Frequency Identification ("RFID") equipment and electronic products (collectively the "intelligent terminal products"), provision of system maintenance services, development of customised softwares and provision of coordination, management and installation services of smart cities. The investment cost was approximately HK\$83.1 million. During the year ended 31 December 2021, its share price has increased by approximately 13% and the Group recorded unrealized gain of approximately HK\$42.5 million, and no dividend was received from it. The Group was optimistic about the future prospect of IBO Technology's RFID equipment and smart terminal products under the gradual development of 5G environment, and intends to hold the investment with an aim for long term capital growth.

Also included in the financial assets held-for-trading as at 31 December 2021 was the Group's investment in 8,565,000 shares or approximately 1.52% of HG Semiconductor Limited (Stock Code: 6908) ("HG Semiconductor") with fair value of approximately HK\$62.4 million, which amounts to approximately 7% of the Group's total assets. HG Semiconductor and its subsidiaries are principally engaged in the design, development, manufacturing, subcontracting service and sales of light-emitting diode ("LED") beads and LED lighting products in the PRC. The investment cost was approximately HK\$62.7 million. During the period from 25 February 2021 (the date immediately preceding the Group's first purchase) to 31 December 2021, its share price has increased shapely by approximately 573% and the Group recorded unrealized gain of approximately HK\$226,000, and no dividend was received from it. As disclosed in HG Semiconductor's announcements dated 25 February 2021, 29 April 2021 and 7 May 2021, it completed the acquisition of a target group engaging in the research and development of fast charging solutions for battery system mainly for use by electric vehicles. The Group is fully aware of the development and widespread adoption of electric vehicles as one of the solutions for environment protection and intends to hold its investment in HG Semiconductor for long term capital growth.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

Save as transactions disclosed above in this Management Discussion and Analysis section, during the year ended 31 December 2021, the Group's did not have any material acquisition or disposals of subsidiaries, associates and joint ventures.

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

As at 31 December 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.

Meanwhile, as at 31 December 2021, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment.

Significant events after the reporting period

As of the date hereof, there was no significant event affecting the Group after 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	3	90,554	68,370
Other income	3	1,726	5,529
Other gains	5	33,184	3,709
Impairment losses on accounts receivable, net		(3,324)	(22,139)
Impairment losses on other receivables		(129)	(4,994)
Staff costs		(39,475)	(44,546)
Commission expenses		(5,704)	(5,449)
Depreciation of property and equipment		(2,539)	(3,093)
Depreciation of right-of-use assets		(7,284)	(6,497)
Finance costs		(2,275)	(2,811)
Other operating expenses		(25,296)	(22,350)
Share of profit of associate		194	127
		<hr/>	<hr/>
Profit (loss) before tax	6	39,632	(34,144)
Income tax expenses	8	(10,859)	(1,616)
		<hr/>	<hr/>
Profit (loss) for the year from continuing operations		28,773	(35,760)
		<hr/>	<hr/>
Discontinued operations			
(Loss) profit for the year from discontinued operation	9	(21,979)	3,439
		<hr/>	<hr/>
Profit (loss) for the year		6,794	(32,321)
Other comprehensive expense for the year			
Item that will not be classified subsequently to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income		(6,344)	(17,537)
		<hr/>	<hr/>
Total comprehensive income (expense) for the year		450	(49,858)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000 (Restated)
Profit (loss) for the year attributable to:			
Owners of the Company			
– Continuing operations		28,779	(35,760)
– Discontinued operation		(13,591)	4,073
		<u>15,188</u>	<u>(31,687)</u>
Non-controlling interests			
– Continuing operations		(6)	–
– Discontinued operations		(8,388)	(634)
		<u>(8,394)</u>	<u>(634)</u>
		<u>6,794</u>	<u>(32,321)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company			
– Continuing operations		22,435	(53,297)
– Discontinued operation		(13,591)	4,073
		<u>8,844</u>	<u>(49,224)</u>
Non-controlling interests			
– Continuing operations		(6)	–
– Discontinued operation		(8,388)	(634)
		<u>(8,394)</u>	<u>(634)</u>
		<u>450</u>	<u>(49,858)</u>
Earnings (loss) per share (HK cents)	10		
Continuing and discontinued operations			
Basic		0.81	(2.36)
Diluted		0.81	(2.36)
Continuing operations			
Basic		1.54	(2.66)
Diluted		1.53	(2.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Goodwill		2,016	2,016
Trading rights		–	–
Other intangible assets		1,246	1,246
Interest in associates		681	487
Property and equipment		2,981	3,643
Statutory deposits		3,063	4,181
Rental and utility deposits		2,116	272
Right-of-use assets		15,830	6,330
Financial assets at fair value through profit or loss		–	8,665
Financial assets at fair value through other comprehensive income		23,173	29,517
		51,106	56,357
Current assets			
Inventories		–	183
Accounts receivable	11	382,291	442,842
Prepayments, deposits and other receivables		58,663	108,678
Financial assets at fair value through profit or loss		432,469	247,338
Derivatives financial assets		–	4,735
Bank balances and cash		74,536	64,200
		947,959	867,976
Asset classified as held-for-sale		–	4,926
		947,959	872,902
Current liabilities			
Accounts payable	12	21,177	50,702
Accrued liabilities and other payables		6,698	8,392
Margin loan payable		15,321	–
Convertible bonds		–	17,302
Lease liabilities		6,983	5,495
Tax payable		7,089	2,420
		57,268	84,311

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net current assets		<u>890,691</u>	<u>788,591</u>
Total assets less current liabilities		<u>941,797</u>	<u>844,948</u>
Non-current liabilities			
Convertible bonds		5,278	4,940
Deferred tax liabilities		202	424
Lease liabilities		<u>9,423</u>	<u>880</u>
		<u>14,903</u>	<u>6,244</u>
Net assets		<u><u>926,894</u></u>	<u><u>838,704</u></u>
Capital and reserves			
Share capital		1,760,344	1,680,295
Reserves		<u>(833,444)</u>	<u>(841,037)</u>
Equity attributable to owners of the Company		926,900	839,258
Convertible bonds issued by a subsidiary		–	80
Non-controlling interests		<u>(6)</u>	<u>(634)</u>
Total equity		<u><u>926,894</u></u>	<u><u>838,704</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 marketing of digital assets. During the year the sale and distribution of healthcare business was disposed.

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

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

In the current year, the Group has applied, for its first time, the following amendments to 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 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7 HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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 ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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 the (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, mergers and acquisitions services, and other corporate finance related advisory services, (ii) proprietary trading; (iii) insurance brokerage service; and (iv) sale and marketing of digital assets.

Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations		
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	13,587	13,795
– Underwriting, sub-underwriting, placing and sub-placing commission	15,529	1,620
– Arrangement, referral, advisory and other fee income	7,430	9,203
– Insurance commission income	10	–
– Sale and marketing of digital assets	6	–
	<u>36,562</u>	<u>24,618</u>
Revenue from other sources		
– Interest income from clients	53,708	43,752
– Dividend income from listed equity securities classified as financial assets at FVTPL	284	–
	<u>53,992</u>	<u>43,752</u>
	<u><u>90,554</u></u>	<u><u>68,370</u></u>

Disaggregation of revenue from contracts with customers by timing of recognition

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Timing of revenue recognition		
At a point in time	29,248	15,711
Over time	7,314	8,907
	<u>36,562</u>	<u>24,618</u>

Other income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<u>Continuing operations</u>		
Interest income from authorised institutions	101	538
Interest income from convertible bonds	–	138
Other interest income	477	1,611
	<hr/>	<hr/>
Total Interest income	578	2,287
Government grants (<i>note</i>)	200	3,151
Sundry income	948	91
	<hr/>	<hr/>
	1,726	5,529
	<hr/> <hr/>	<hr/> <hr/>

Note: During the year 31 December 2021, the Group recognised government grants of approximately HK\$200,000 (2020: HK\$3,151,000) in respect of COVID-19-related subsidies, of which amounted to HK\$110,000 related to Hong Kong Institute of Human Resource Management Job Creation Scheme (2020: HK\$2,951,000 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 attached to the receipts of those 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 (2020: five (restated)) 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; and
- (v) the proprietary trading segment engages in trading of equity securities, debt securities and other financial products; and
- (vi) the sales and marketing of digital assets segment engages in trading of Q-coins in electronic platform.

Sales and distribution of digital assets were commenced during the year ended 31 December 2021.

An operating segment regarding the sales and distribution of healthcare products was discontinued in the current year. The segment information reported does not include any amounts for this discontinued operation in this note.

The following tables presented revenue and results of these reportable and operating segments for the years ended 31 December 2021 and 2020.

Year ended 31 December 2021

<u>Continuing operations</u>	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>	Digital assets <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	82,824	7,430	-	10	284	6	90,554	-	90,554
Intra-segment sales	-	3,332	-	-	-	-	3,332	(3,332)	-
	<u>82,824</u>	<u>10,762</u>	<u>-</u>	<u>10</u>	<u>284</u>	<u>6</u>	<u>93,886</u>	<u>(3,332)</u>	<u>90,554</u>
Segment profit (loss)	<u>50,889</u>	<u>455</u>	<u>(1,629)</u>	<u>(746)</u>	<u>31,695</u>	<u>(3,174)</u>	<u>77,490</u>	<u>-</u>	<u>77,490</u>
Unallocated administrative costs									(38,351)
Fair value change of financial assets at FVTPL									299
Share of profit of associates									<u>194</u>
Profit before tax for the year (continuing operations)									<u><u>39,632</u></u>

Year ended 31 December 2020 (Restated)

	Brokerage and financing	Corporate finance and other advisory services	Asset management	Insurance brokerage	Proprietary trading	Segment total	Eliminations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations								
Segment revenue	59,167	9,203	-	-	-	68,370	-	68,370
Intra-segment sales	-	1,672	-	-	-	1,672	(1,672)	-
	<u>59,167</u>	<u>10,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,042</u>	<u>(1,672)</u>	<u>68,370</u>
Segment profit (loss)	<u>17,624</u>	<u>(414)</u>	<u>(1,372)</u>	<u>(659)</u>	<u>10,696</u>	<u>25,875</u>	<u>-</u>	<u>25,875</u>
Unallocated administrative costs								(50,224)
Gain on acquisition of financial assets at FVTPL								3,979
Loss on redemption of financial assets at FVTPL								(3,358)
Fair value change of financial assets at FVTPL								(2,130)
Loss on disposal of financial assets at FVTPL								(8,413)
Share of profit of associates								127
Loss before tax for the year (continuing operations)								<u>(34,144)</u>

5. OTHER GAINS

Continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
(Loss) gain on disposal of property and equipment	(47)	245
Net exchange gain	76	84
Gain on acquisition of financial assets at FVTPL	–	3,979
Loss on redemption of financial assets at FVTPL	–	(3,358)
Fair value change of financial assets at FVTPL	299	(2,130)
Net realised and unrealised gain on financial assets held for-trading	32,856	13,302
Loss on disposal of financial assets at FVTPL	–	(8,413)
	<u>33,184</u>	<u>3,709</u>

6. PROFIT (LOSS) FOR THE YEAR

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

Continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Included in other operating expenses:		
Auditor's remuneration	1,300	1,150
Depreciation of property and equipment	2,539	3,093
Depreciation for right-of-use assets	7,284	6,497
Entertainment and travel expenses (mainly incurred for business development)	6,095	4,629
	<u>6,095</u>	<u>4,629</u>

7. DIVIDENDS

No dividends was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

8. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<u>Continuing operations</u>		
Current tax:		
Hong Kong Profits Tax	5,371	2,213
Under (overprovision) in prior year		
Hong Kong Profits Tax	4,223	(37)
Deferred tax	1,265	(560)
	<u>10,859</u>	<u>1,616</u>

9. DISCONTINUED OPERATIONS

On 9 December 2021, the Company has entered into a sales and purchase agreement with an independent third party to dispose its wholly owned subsidiary, VC Global Investments Limited, (“VC Global”). Through this disposal, 51% directly held subsidiary by VC Global and its 51% indirectly held subsidiaries (collectively referred to as the “Disposal Group”) were also disposed accordingly, at a cash consideration of HK\$7,000,000. The Disposal Group carried out all of the Group’s sales and distribution of healthcare products segment which represented a separate major line of business of the Group. As a result, it has been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 and 2020. The disposal was completed on 24 December 2021, on which date control of the Disposal Group was passed to the acquirer.

Loss for the period from discontinued operation has been arrived at after charging:

	1/1/2021 – 24/12/2021 <i>HK\$'000</i>	17/7/2020 – 31/12/2020 <i>HK\$'000</i>
Amount of inventories recognised as an expense	53	6,605
Staff costs – salaries, allowances, other benefits and contributions to retirement benefits scheme	2,884	2,114
Depreciation of plant and equipment	5	2
	<u>2,942</u>	<u>8,721</u>

10. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Earnings		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	<u>15,188</u>	<u>(31,687)</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,867,704</u>	<u>1,343,054</u>
Effect of dilutive potential ordinary shares:		
– Share options	<u>17,512</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,885,216</u>	<u>1,343,054</u>

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Profit (loss) for the year attributable to the owners of the Company	15,188	(31,687)
Add: Loss (profit) for the year from discontinued operations	13,591	(4,073)
	<hr/>	<hr/>
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operation	28,779	(35,760)
	<hr/> <hr/>	<hr/> <hr/>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

Basic earnings (loss) for the discontinued operation is HK0.73 cents per share (2020: earnings HK0.30 cents per share) and diluted loss per share for the discontinued operation is HK0.72 cents per share (2020: earnings HK0.30 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$13,591,000 (2020: profit approximately HK\$4,073,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share (2020: decrease in loss per share) for the year ended 31 December 2021. And computation of diluted loss per share does not assume the conversion of the Company's options under the share option scheme granted in 2020 since their exercise would result in decrease in loss per share for the year ended 31 December 2020.

11. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>note a</i>):		
Clearing house	14,848	22,670
Cash clients	4,017	27,342
Futures and options contracts transactions (<i>note a</i>):		
Clearing house	16	17
	<u>18,881</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>)	3,880	4,139
Less: Impairment loss	<u>(1,650)</u>	<u>(1,031)</u>
	<u>2,230</u>	<u>3,108</u>
Accounts receivable arising from the ordinary course of business of money lending services (<i>note b</i>)	273,274	300,263
Less: Impairment loss	<u>(70,545)</u>	<u>(51,177)</u>
	<u>202,729</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	165,224	155,159
Less: Impairment loss	<u>(6,773)</u>	<u>(23,436)</u>
	<u>158,451</u>	<u>131,723</u>
Accounts receivables arising from the ordinary business of sale and distribution of healthcare products (<i>note d</i>)	–	8,896
	<u>382,291</u>	<u>442,842</u>

- (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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	16,376	49,726
31 – 90 days	–	12
Over 90 days	2,505	291
	18,881	50,029

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	538	499
31 – 90 days	551	563
Over 90 days	1,141	2,046
	2,230	3,108

- (b) No ageing analysis is disclosed in the opinion of directors of the Company as ageing analysis is not meaningful in view of the revolving nature of the business of money lending services.

- (c) No ageing analysis is disclosed in the opinion of directors of the Company as aging analysis is not meaningful in view of the revolving nature of the business of margin loan financing.
- (d) The settlement terms of accounts receivable arising from the ordinary course of business of sales and distribution of healthcare products are normally due immediately from date of billing but the Group may grant a credit period of 120 days on average to its client. The aging analysis of these receivables based on the invoice date is as follows:

	2021	2020
	HK\$'000	HK\$'000
Within 30 days	–	8,896

12. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	2021	2020
	HK\$'000	HK\$'000
Accounts payable arising from dealing in securities:		
Clearing house	–	4,546
Cash clients	18,122	44,201
Margin clients	1,842	302
	19,964	49,049
Accounts payable arising from sale and distribution of healthcare products	–	1,653
Accounts payable arising from sale and marketing of digital assets	1,213	–
	21,177	50,702
Accrued liabilities and other payables:		
Accrued expenses	2,463	3,321
Interest payable to convertible bond holders	–	1,742
Contract liabilities	–	55
Others	4,235	3,274
	6,698	8,392

No aging analysis on accounts payable arising from dealing in securities is disclosed in the opinion of director of the Company, the aging analysis does not give additional value in view of the nature of this business.

The settlement terms of accounts payable arising from the ordinary course of business of sales and distribution of healthcare products are normally due immediately from date of billing with a credit period of 30 days on average to its client. The aging analysis of this payable based on the invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	–	1,653

The settlement terms of accounts payable arising from the ordinary course of business of sale and marketing of digital assets are normally due immediately from date of transferring the title of the digital assets with a credit period of 30 days on average to its client. The aging analysis of this payable based on the entitlement of custody of the digital products is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	1,213	–

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021, 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 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 year ended 31 December 2021.

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 2021 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 2021, 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 2021 (the "2021 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 2021 will be held in May 2022. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2021 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, Ms. Li Cindy Chen and Mr. Zhang Nu; 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
31 March 2022