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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 2022**

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 2022, together with the unaudited comparative figures of the corresponding period in 2021.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
Revenue from continuing operations	<b>35,676</b>	37,793
(Loss) profit for the period from continuing operations	<b>(61,936)</b>	104,301
Loss for the period from discontinued operation	–	(6,172)
(Loss) profit attributable to owners of the Company	<b>(61,774)</b>	101,143
(Loss) earnings per share (HK cents)		
Continuing and discontinued operations		
Basic	<b>(2.97)</b>	5.93
Diluted	<b>(2.97)</b>	5.86
Continuing operations		
Basic	<b>(2.97)</b>	6.11
Diluted	<b>(2.97)</b>	6.04
Interim dividend per share (HK cents)	<b>Nil</b>	Nil

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Value Convergence Holdings Limited, together with its subsidiaries (“VC Group” or the “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 and options brokering and dealing, financing services, corporate finance advisory services, asset management and insurance brokerage; (ii) proprietary trading; and (iii) sales and marketing of digital assets. During the six months ended 30 June 2022, the futures trading service was ceased.

### **INDUSTRY OVERVIEW**

During the first half of 2022, amid the lingering impact of Coronavirus Disease 2019 (“COVID-19” or the “pandemic”), the global economy continued to struggle with persistent downside risks including escalating geopolitical tensions, growing financial instability and surging inflation, all of which hindered economic growth. Provisional estimates from the Organisation for Economic Co-operation and Development (OECD) showed that gross domestic product (GDP) in the G20 nations rose by 0.7% quarter-on-quarter during the first quarter of 2022, down from the 1.3% increase recorded in the fourth quarter of 2021.

In Hong Kong, a fifth wave of COVID-19 and restrictive measures imposed in response weighed heavily on economic activities and local consumer sentiment. Externally, slower growth in global demand and cross-border transportation disruptions represented a significant drag on exports. According to the Hong Kong government data, the territory’s economy suffered a marked deterioration in the first half of 2022, with GDP contracting by 1.3% year-on-year in the second quarter of 2022, following a 3.9% contraction in the first quarter.

Meanwhile, the local stock market exhibited substantial volatility, with the Hang Seng Index dropping 6.6% and the Hang Seng TECH Index sinking more than 14% during the first half of the year. Geopolitical and economic uncertainty continued to dampen global initial public offering (IPO) market sentiment, resulting in a remarkable decline in fund-raising activities during the first half of 2022 compared to the same period the previous year. The local securities market continued to experience difficulties amid the worsening operating environment, with 16 securities firms ceasing operations during the first half of the year, compared with 17 during the full year in 2021, one of the reasons being that they faced fierce competition from the mainland China online trading platforms entering the local securities market.

## **BUSINESS REVIEW**

VC Group is committed to delivering premier-grade financial services and products that fulfil the various investment and wealth management needs of clients in the Greater China region. The Group has tirelessly pursued opportunities to diversify its business and has set its sights on the digital asset market in recent years.

For the six months ended 30 June 2022 (the “Reporting Period”), leveraging its core competitiveness and solid experience in the financial services sector, VC Group continued to provide high-quality services in its two core financial businesses, aiming to achieve sustainable, balanced business development based on its robust financial capabilities and pragmatic operating strategies. Yet recurrent outbreaks of COVID-19, coupled with persistently high inflation and conflict between Russia and Ukraine, posed unprecedented challenges to the global economy, intensifying uncertainty in the global and Hong Kong financial markets. The Group’s revenue declined during the Reporting Period, due primarily to reduction in brokerage commission income that was broadly in line with the deterioration of the economic environment and the contraction in transaction volumes in the market overall.

The brokerage and financing businesses remained the Group’s major revenue stream, contributing approximately 90% of the Group’s total revenue. The Group continued to provide local and overseas securities dealing, derivatives and other structured products trading, placement and underwriting and margin financing, through VC Brokerage Limited (“VC Brokerage”). During the Reporting Period, the Group strived to boost customer loyalty by providing customers with premium-grade financial services while sustaining its solid financial standing by adopting stringent risk management, effective internal controls and a proactive operating model. With the aim of broadening its revenue base and supporting customers’ personal and business needs amid a deteriorating operating environment across a range of industries, the Group continued to provide money-lending services through VC Finance Limited (“VC Finance”). The Group also endeavored to capture business opportunities in the local capital market by offering placing and underwriting services to clients. During the Reporting Period, the Group continued to act as a placing agent and underwriter for Hong Kong-listed companies’ fundraising activities.

The Group offered corporate finance advisory services, including mergers and acquisitions advisory through VC Capital Limited (“VC Capital”) and company secretarial services through VC Corporate Services Limited (“VCCS”). During the Reporting Period, VC Capital was appointed as a financial adviser to a number of Hong Kong-listed companies engaged in corporate exercises.

Turning to the proprietary trading business, the Group held equity securities listed in Hong Kong worth approximately HK\$414.9 million as financial assets held for trading, marking a 2% decrease in market value compared with that of 31 December 2021. The decline aligned with the pronounced slowdown in the global capital market, mainly led by high inflation and interest rate hikes amid the double-whammy of the renewed threat of COVID-19 variants and the Russo-Ukrainian war. Despite these challenges, the Group continued to focus on the fundamentals of its investment targets and will continue actively to pursue long-term capital gains.

With respect to sales and marketing of digital assets, a business newly developed in 2021, the Group continued to push forward expansion in various respects to actively enter the internet-native Generation Z market. The Group has recruited a seasoned team of sales and marketing talents to broaden its sales channels with a view to expediting business development. In addition, the Group has formed strategic cooperation agreements with several leading corporations, such as E-Home Entertainment, to commence in-depth cooperation in the internet industry and jointly carry out integrated market development in various areas, including the Chinese console games market, the expansion of domestic games into overseas markets, and digital marketing. In December 2021, the subsidiary Shenzhen Huiwei Duoying Technology Co. Ltd. (“Huiwei Duoying”) was formed with Shenzhen Yiyun Information Electronic Co. Ltd, with plans including, but not limited to, expanding the sales and marketing of Tencent digital products with the expectation of obtaining exclusive sales rights from Tencent’s digital product distributors. Tencent’s digital products range from Tencent Games to QQ to videos and music.

During the Reporting Period, the Group deepened its collaboration with Tencent and became one of the few distributors of Tencent’s covering a considerable number of provinces in China. In addition to its activities relating to Tencent, the Group commenced collaboration with the distributor of Microsoft products in Hong Kong in connection with sales of Xbox-related virtual assets. The Group has also begun a collaboration with Xunlei Limited (NASDAQ: XNET) to sell non-fungible tokens (NFTs). During the Reporting Period, the Group recorded a gross merchandise value (“GMV”) of approximately HK\$120 million, represented by the gross sum of digital assets sold to its customers.

### **Establishment of a joint venture securities company in Guangxi**

In July 2016, the Company announced that 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\$523 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. 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.

### **Acquisition of convertible bonds issued by Virtual Mind Holding Company Limited**

On 6 January 2022, the Company completed subscription of convertible bonds (the "1520CB") issued by Virtual Mind Holding Company Limited ("Virtual Mind") (stock code: 1520) at consideration of HK\$10 million. The 1520CB is convertible into 66,844,919 shares of Virtual Mind at exercise price of HK\$0.1496. Based on valuation obtained from an independent professional valuer, the Company recorded gain on acquisition of the 1520CB of approximately HK\$7.6 million and further fair value gain from the date of acquisition to 30 June 2022 of approximately HK\$1.3 million.

### **OUTLOOK**

The global economy is forecast to grow at a slower pace in the second half of 2022, due mainly to the resurgence of COVID-19 across the globe and the downside risks arising from intensifying inflation and the Russo-Ukrainian war. The International Monetary Fund (IMF) has further lowered its global GDP forecasts for 2022 and 2023, expecting growth of 3.2% this year, 0.4 percentage points lower than its April projection.

The uncertain macroeconomic outlook has prompted central banks to embark on a round of aggressive monetary policy tightening, exacerbating fears of a global economic slowdown. Following the US central bank's announcement of its biggest interest rate rise in nearly 30 years, the European Central Bank raised interest rates for the first time in more than 11 years in July, in the hope of controlling soaring inflation in the eurozone. Amid tighter monetary conditions that may affect financial stability, a more volatile stock market may be expected in the second half of the year.

On a positive note, the gradual easing of social distancing measures and a reduction in cross-border transportation disruptions, alongside the stabilization of the local pandemic situation in Hong Kong, will help boost economic activities. The stock market may show signs of renewed momentum in the second half of 2022, as long as the pandemic remains under control.

VC Group remains cautiously optimistic about the outlook for its placing and underwriting business, given that fundraising activities among Hong Kong-listed companies is expected to resume gradually. The Group will continue to strengthen its close ties with its local long-term clients, striving to offer excellent and diversified services that meet the needs of its customers at competitive rates, and benefit from a recovery in Hong Kong's stock trading and IPO fund-raising markets. In seizing increased market share and fresh opportunities, the Group seeks to expand the scale of its financial services business and continue to identify suitable acquisitions and investment targets in the market as opportunities arise.

The Group has been exploring new business opportunities in the mainland China digital asset market, capitalizing on its strategic partnerships and in-depth business collaborations with its allies, with a view to expanding its business in that market. The Group intends to accelerate this development through digital asset marketing, intellectual property (IP) collaboration and marketing cooperation. To further strengthen its presence and drive synergies between the internet business offered by digital assets and other business segments, more resources have been allocated to further develop the sales and marketing of digital assets to broaden sales channels. The Group will continue to explore and liaise with potential business partners on sales of digital assets and NFTs. More resources will be dedicated to mapping out a blueprint for the digital assets segment accordingly, which the management team believes it will become a new key driver of the Group's revenue in years to come.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2022, the Group's consolidated revenue from continuing operations was approximately HK\$35.7 million, which decreased by about 6% as compared with approximately HK\$37.8 million during the same period in 2021. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$61.8 million for the six months ended 30 June 2022 against profit of approximately HK\$101.1 million for the same period in 2021.

The negative movement in the Group's consolidated results attributable to shareholders for the six months ended 30 June 2022 was mainly due to (i) net realised and unrealised loss on financial assets held for trading of approximately HK\$62 million for the period ended 30 June 2022 against net realised and unrealised gain of approximately HK\$79 million for the same period last year; (ii) impairment loss on accounts receivable and other receivables of approximately HK\$3 million for the period ended 30 June 2022 against impairment reversal of approximately HK\$29 million for same period last year; and partially offset by (iii) gain on acquisitions of financial assets at fair value through profit or loss of approximately HK\$9 million for the period ended 30 June 2022.

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 2022		Six months ended 30 June 2021		Increase (decrease) %
	Proportion of total revenue	Proportion of total revenue	Proportion of total revenue	Proportion of total revenue	
	HK\$000	%	HK\$000	%	%
Revenue from continuing operations:					
Brokerage and Financing	32,336	90%	33,273	88%	(3%)
Brokerage commission and other related fees	3,626	10%	7,481	20%	(52%)
Underwriting, sub-underwriting, placing and sub-placing commission	2,584	7%	289	1%	794%
Interest income from brokerage clients	6,406	18%	7,343	19%	(13%)
Interest income from money lending clients	19,720	55%	18,160	48%	9%
Corporate Finance and Other Advisory Services	2,731	8%	4,520	12%	(40%)
Asset Management	-	-	-	-	-
Insurance Brokerage	-	-	-	-	-
Proprietary Trading	-	-	-	-	-
Sales and Marketing of Digital Assets	609	2%	-	-	100%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	
Total revenue	<u>35,676</u>	<u>100%</u>	<u>37,793</u>	<u>100%</u>	(6%)

## Segment Analysis

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Segment results:		
Brokerage and Financing	<b>9,353</b>	38,869
Corporate Finance and Other Advisory Services	<b>(1,838)</b>	(878)
Asset Management	<b>(886)</b>	(752)
Insurance Brokerage	<b>(317)</b>	(382)
Proprietary Trading	<b>(63,372)</b>	77,826
Sales and Marketing of Digital Assets	<b>(4,905)</b>	–
	<hr/>	<hr/>
Group segment (loss) profit	<b>(61,965)</b>	114,683
Gain on acquisitions of financial assets at fair value through profit or loss	<b>9,040</b>	–
Fair value change on financial assets at fair value through profit or loss	<b>1,300</b>	–
Unallocated administrative costs	<b>(10,264)</b>	(6,868)
Share of profit of an associate	<b>29</b>	109
	<hr/>	<hr/>
(Loss) profit before tax	<b>(61,860)</b>	107,924
Income tax expense	<b>(76)</b>	(3,623)
	<hr/>	<hr/>
(Loss) profit for the period from continuing operations	<b>(61,936)</b>	104,301
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### ***Brokerage and Financing***

During the six months ended 30 June 2022, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage and VC Futures (ceased operations on 1 April 2022), 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, provides money lending services. For the six months ended 30 June 2022, the brokerage and financing businesses recorded total revenue of approximately HK\$32.3 million as compared with approximately HK\$33.3 million for the same period last year, representing a decrease of about 3%, and accounted for approximately 90% of the Group's total revenue.

The Group's brokerage commission and other related fees from dealing in securities, futures and options contracts for the six months ended 30 June 2022 decreased to approximately HK\$3.6 million from approximately HK\$7.5 million for the same period last year, representing a decrease of about 52%, and accounted for about 10% of the Group's total revenue. The Group recorded a decrease in brokerage transactions for the first half of 2022 as the average daily trading turnover decreased by about 63% as compared to the same period last year.



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 2022, the Group recorded approximately HK\$2.6 million placing and underwriting commission (six months ended 30 June 2021: HK\$0.3 million), which accounted for approximately 7% of the Group's total revenue.

The Group's total interest income from financing for the six months ended 30 June 2022 increased by about 2% to approximately HK\$26.1 million from approximately HK\$25.5 million for the same period last year, and accounted for about 73% of the Group's total revenue. The revenue included interest income derived from both the brokerage business and the money lending business.

#### *Brokerage clients financing*

The Group's interest income from our brokerage clients recorded approximately HK\$6.4 million for the six months ended 30 June 2022, representing a decrease of about 13% as compared to approximately HK\$7.3 million for the same period last year. The decrease was mainly attributable to the decrease of average loan portfolio of our brokerage clients by about 16% for the six months ended 30 June 2022 as compared with the same period last year. For the six months ended 30 June 2022, there was a reversal of impairment loss of approximately HK\$2.4 million on brokerage client receivables (six months ended 30 June 2021: HK\$8.4 million). The average interest rate for brokerage clients is approximately 9.2%. Almost all brokerage client receivables are pledged with securities held by the clients.

#### *Money lending clients financing*

The Group's interest income generated from the money lending services was approximately HK\$19.7 million for the six months ended 30 June 2022, representing an increase of about 9% as compared to approximately HK\$18.2 million for the same period last year.

As at 30 June 2022, the Group had 25 active loan accounts and the average loan amount of these loan accounts was approximately HK\$12.2 million. The percentage of amount of loans and interest receivables from the largest and the 5 largest customers to total loans and interest receivables are 9% and 38% respectively. Certain loans are secured by collaterals including equity shares of certain listed and unlisted companies and legal charges on properties. In addition, certain loans may also be secured by personal or corporate guarantor(s). Interest rates charged to customers range from 8% to 18% per annum as at 30 June 2022.

For the six months ended 30 June 2022, there was an additional impairment loss of approximately HK\$8.7 million on money lending client receivables (six months ended 30 June 2021: impairment reversal of HK\$19.3 million).

Overall, the operating performance of the brokerage and financing businesses for the six months ended 30 June 2022 recorded an operating profit after tax of approximately HK\$9.2 million (six months ended 30 June 2021: HK\$36.6 million).

### ***Corporate Finance and Other Advisory Services***

The Company through VC Capital provides corporate finance advisory services to its clients. In addition, the Company through VCCS 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 2022 was stable, recording revenue and operating loss after tax of approximately HK\$2.7 million (six months ended 30 June 2021: HK\$4.5 million) and approximately HK\$1.8 million (six months ended 30 June 2021: HK\$0.9 million) and accounted for approximately 8% of the Group's total revenue.

### ***Asset Management***

For the six months ended 30 June 2022, 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\$0.9 million as compared with a loss of approximately HK\$0.8 million for the same period last year, which mainly included the general operating expenses such as staff costs.

### ***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 six months ended 30 June 2022, Experts Management did not record any revenue (six months ended 30 June 2021: Nil) with an operating loss of approximately HK\$0.3 million (six months ended 30 June 2021: HK\$0.4 million).

### ***Proprietary Trading***

As at 30 June 2022, the Group held equity securities listed in Hong Kong of approximately HK\$414.9 million (31 December 2021: HK\$423.5 million) as financial assets held-for-trading, which was stated at market value. The fair value of these listed equity securities represents about 44.7% of the Group's total assets as at 30 June 2022 (31 December 2021: 42.4%). A few securities with relatively heavy weights within the portfolio were not performing well during the six months ended 30 June 2022, resulting in an overall loss during the 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 2022, there was net purchase of securities investment of approximately HK\$38.1 million (six months ended 30 June 2021: HK\$31.8 million).

For the six months ended 30 June 2022, the Group did not record any revenue (six months ended 30 June 2021: Nil) from the proprietary trading business. Meanwhile, the Group recognised net loss of approximately HK\$61.7 million (including realised loss of approximately HK\$5.2 million and unrealised loss of approximately HK\$56.5 million) on the trading investments for the six months ended 30 June 2022 as compared with net gain of approximately HK\$79.4 million (including realised gain of approximately HK\$2.5 million and unrealised gain of approximately HK\$76.9 million) for the same period in 2021.

Below is an analysis of the financial assets held-for-trading held by the Group as at 30 June 2022:

<b>Industries</b>	<b>Market value as at 30 June 2022 <i>HK\$'000</i></b>	<b>Percentage to the Group's total assets</b>	<b>Unrealised gain/(loss) for the six months ended 30 June 2022 <i>HK\$'000</i></b>
Information Technology	224,277	24.2%	(33,533)
Energy	71,848	7.7%	(15,638)
Industrials	47,808	5.2%	(805)
Consumer goods and services	38,043	4.1%	2,495
Financials	27,865	3.0%	(8,981)
Materials	5,104	0.5%	–
	<u>414,945</u>	<u>44.7%</u>	<u>(56,462)</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. Overall, the Group's proprietary trading business recorded an operating loss of approximately HK\$63.4 million for the six months ended 30 June 2022 against profit of approximately HK\$77.8 million for the same period last year.

### ***Sales 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 subsidiary 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. During the six months ended 30 June 2022, the Group recorded a GMV of approximately HK\$120 million, represented by the gross amount of digital assets sold to its customers. In terms of revenue, the Group recorded approximately HK\$0.6 million during the six months ended 30 June 2022.

### ***Income tax expense***

During the six months ended 30 June 2022, the Group recognised an income tax expense of approximately HK\$76,000 (six months ended 30 June 2021: HK\$3.6 million) which included net current tax expense of approximately HK\$127,000 (six months ended 30 June 2021: HK\$2.3 million) and deferred tax credit of approximately HK\$51,000 (six months ended 30 June 2021: deferred tax expense of HK\$1.3 million). The current tax expense was made for the provision of Hong Kong Profits Tax in relation to the profitability generated from the brokerage and financing business. The deferred tax (credit) expense was recognised mainly in relation to convertible bonds issued by the Company.

### ***Finance costs***

For the six months ended 30 June 2022, the finance costs of the Group amounted to approximately HK\$1.6 million as compared with approximately HK\$1.2 million for the same period last year. The increase in finance costs mainly due to (i) increase in imputed interest on lease liabilities; and (ii) increase in interest on margin loans obtained; but partially offset by decrease in imputed interests on convertible bonds issued by the Company.

### ***Headcount and employees information***

As at 30 June 2022, the Group employed a total of 80 employees (31 December 2021: 69), which excluded 14 self-employed account executives for brokerage services (31 December 2021: 15), and 66 and 14 were located in Hong Kong and the PRC respectively (31 December 2021: 67 in Hong Kong and 2 in the PRC). Salaries and staff benefit costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$21.0 million and HK\$1.1 million respectively for the six months ended 30 June 2022 as compared with approximately HK\$17.5 million and HK\$1.5 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 benefits costs of approximately HK\$3.5 million during the first half of 2022 was mainly attributable to (i) expansion of the Group's PRC office; and (ii) general salary increment at the beginning of year 2022.

### ***Liquidity and financial resources/capital structure***

For the six months ended 30 June 2022, the Group financed its business operations and investments mainly with (i) internal resources; (ii) cash revenues generated from operating activities; (iii) convertible bonds; and (iv) margin loans.

The Group adopts a prudent treasury policy. As at 30 June 2022, bank balances and cash were denominated in Hong Kong dollars, Renminbi and United States dollars as to approximately HK\$46.3 million, HK\$4.7 million and HK\$0.3 million respectively. The Group intends to maintain minimum exposure to foreign exchange risks and those Renminbi is mainly for the PRC's operation needs. All the bank balances and cash were put in saving deposits and current accounts as at 30 June 2022.

As at 30 June 2022, the Group maintained margin loan facilities from certain brokerage firms in the amount of approximately HK\$22.6 million (31 December 2021: HK\$20.1 million) and margin loans obtained amounted to HK\$12.4 million (31 December 2021: HK\$15.3 million). Interest rates on the margin loan facilities range from 10% to 14% per annum.

As at 30 June 2022, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$51.3 million (31 December 2021: HK\$74.5 million), approximately HK\$810.7 million (31 December 2021: HK\$890.7 million) and approximately HK\$864.8 million (31 December 2021: HK\$926.9 million) respectively, representing a decrease of about 31%, 9% and 7% respectively as compared with that of 31 December 2021. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of about 17 times as at 30 June 2022 (31 December 2021: 17 times).

As at 30 June 2022, the total number of issued ordinary shares of the Company was 2,078,601,598 (31 December 2021: 2,078,601,598).

### ***Charges on group assets***

As at 30 June 2022, trading securities with fair value of approximately HK\$87.1 million (31 December 2021: HK\$106.4 million) were pledged with certain brokerage firms to obtain margin financing.

### ***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 minimise exchange related risks. For the six months ended 30 June 2022, 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 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 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities. 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 2022, 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 3.6% (31 December 2021: 4.0%).

### ***Significant investments held, their performance and future prospects***

As at 30 June 2022, the Group held the following significant investment:

#### ***Financial assets held-for-trading***

Included in the financial assets held-for-trading as at 30 June 2022 was the Group's investment in 52,652,000 shares or approximately 8.26% of IBO Technology Company Limited (Stock Code: 2708) ("IBO Technology") with fair value of approximately HK\$149.5 million, which amounts to approximately 16% 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 software and provision of coordination, management and installation services of smart cities. The investment cost was approximately HK\$91.5 million. During the six months ended 30 June 2022, its share price has increased by approximately 14.1% and the Group recorded unrealised profit of approximately HK\$15.5 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 development of 5G environment, and intends to hold the investment with an aim for long term capital growth.

Included in the financial assets held-for-trading as at 30 June 2022 was the Group's investment in 97,382,000 shares or approximately 5.26% of China Nuclear Energy Technology Corporation Limited (Stock Code: 611) ("China Nuclear") with fair value of approximately HK\$69.1 million, which amounts to approximately 7% of the Group's total assets. China Nuclear and its subsidiaries are principally engaged in engineering, procurement and construction ("EPC") and consultancy and general construction, power generation and financing. The investment cost was approximately HK\$82.2 million. During the six months ended 30 June 2022, its share price has decreased by approximately 18.4% and the Group recorded unrealised loss of approximately HK\$15.6 million, and no dividend was received from it. The Group considers the continuous growth of the global population and the challenges of climate change result in renewable energy becoming indispensable in future. The Group intends to hold its investment in China Nuclear for long term capital growth.

Included in the financial assets held-for-trading as at 30 June 2022 was the Group's investment in 18,034,000 shares or approximately 3.2% of HG Semiconductor Limited (Stock Code: 6908) ("HG Semiconductor") with fair value of approximately HK\$66.9 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, and research and development of fast charging solutions for battery system mainly for use by electric vehicles. The investment cost was approximately HK\$114.9 million. During the six months ended 30 June 2022, its share price has decreased by approximately 49.0% and the Group recorded unrealised loss of approximately HK\$47.8 million, and no dividend was received from it. 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***

For the six months ended 30 June 2022, the Group did not complete any material acquisition or disposals.

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

As at 30 June 2022, 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 30 June 2022, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment.

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
<b>Continuing operations</b>			
Revenue	4	<b>35,676</b>	37,793
Other income	4	<b>1,219</b>	428
Other (losses) and gains	5	<b>(51,420)</b>	79,427
Impairment (loss) reversal on accounts receivable, net		<b>(6,278)</b>	27,658
Impairment reversal on other receivables, net		<b>3,683</b>	1,430
Staff costs	6	<b>(22,078)</b>	(18,955)
Commission expenses		<b>(1,976)</b>	(2,839)
Depreciation of property and equipment		<b>(533)</b>	(1,449)
Depreciation of right-of-use assets		<b>(3,527)</b>	(3,581)
Finance costs	7	<b>(1,560)</b>	(1,223)
Other operating expenses		<b>(15,095)</b>	(10,874)
Share of profit of an associate		<b>29</b>	109
		<hr/>	<hr/>
(Loss) profit before tax		<b>(61,860)</b>	107,924
Income tax expense	8	<b>(76)</b>	(3,623)
		<hr/>	<hr/>
(Loss) profit for the period from continuing operations		<b>(61,936)</b>	104,301
		<hr/>	<hr/>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	9	<b>–</b>	(6,172)
		<hr/>	<hr/>
(Loss) profit for the period		<b>(61,936)</b>	98,129
		<hr/>	<hr/>
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(288)</b>	–
		<hr/>	<hr/>
Total comprehensive (expense) income for the period		<b>(62,224)</b>	98,129
		<hr/> <hr/>	<hr/> <hr/>



		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
<b>(Loss) profit for the period attributable to:</b>			
<b>Owners of the Company</b>			
– Continuing operations		<b>(61,774)</b>	104,301
– Discontinued operation		<u>–</u>	<u>(3,158)</u>
		<b>(61,774)</b>	<b>101,143</b>
<b>Non-controlling interests</b>			
– Continuing operations		<b>(162)</b>	–
– Discontinued operation		<u>–</u>	<u>(3,014)</u>
		<b>(162)</b>	<b>(3,014)</b>
		<b>(61,936)</b>	<b>98,129</b>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
<b>Owners of the Company</b>			
– Continuing operations		<b>(62,074)</b>	104,301
– Discontinued operation		<u>–</u>	<u>(3,158)</u>
		<b>(62,074)</b>	<b>101,143</b>
<b>Non-controlling interests</b>			
– Continuing operations		<b>(150)</b>	–
– Discontinued operation		<u>–</u>	<u>(3,014)</u>
		<b>(150)</b>	<b>(3,014)</b>
		<b>(62,224)</b>	<b>98,129</b>
<b>(Loss) earnings per share (HK cents)</b>			
<b>Continuing and discontinued operations</b>			
Basic	11	<b>(2.97)</b>	5.93
Diluted		<u><b>(2.97)</b></u>	<u>5.86</u>
<b>Continuing operations</b>			
Basic		<b>(2.97)</b>	6.11
Diluted		<u><b>(2.97)</b></u>	<u>6.04</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Goodwill		2,016	2,016
Trading rights		–	–
Other intangible assets		1,246	1,246
Interest in an associate		710	681
Property and equipment		2,540	2,981
Statutory deposits		3,284	3,063
Rental and utility deposits		1,612	2,116
Right-of-use assets		12,303	15,830
Financial assets at fair value through profit or loss	13	18,900	–
Financial assets at fair value through other comprehensive income		23,173	23,173
		<b>65,784</b>	51,106
<b>Current assets</b>			
Accounts receivable	12	366,318	382,291
Prepayments, deposits and other receivables		29,716	58,663
Financial assets at fair value through profit or loss	13	414,945	432,469
Bank balances and cash		51,305	74,536
		<b>862,284</b>	947,959
<b>Current liabilities</b>			
Accounts payable	14	5,781	21,177
Accrued liabilities and other payables		20,106	6,698
Margin loan payables		12,370	15,321
Lease liabilities		6,660	6,983
Tax payable		6,653	7,089
		<b>51,570</b>	57,268
<b>Net current assets</b>		<b>810,714</b>	890,691
<b>Total assets less current liabilities</b>		<b>876,498</b>	941,797

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Convertible bonds		5,587	5,278
Deferred tax liabilities		151	202
Lease liabilities		<u>6,090</u>	<u>9,423</u>
		<u>11,828</u>	<u>14,903</u>
<b>Net assets</b>		<u><b>864,670</b></u>	<u>926,894</u>
<b>Capital and reserves</b>			
Share capital	15	1,760,344	1,760,344
Reserves		<u>(895,518)</u>	<u>(833,444)</u>
<b>Equity attributable to owners of the Company</b>			
		<u>864,826</u>	926,900
<b>Non-controlling interests</b>		<u>(156)</u>	<u>(6)</u>
<b>Total equity</b>		<u><b>864,670</b></u>	<u>926,894</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 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 (i) the provision of financial services; (ii) proprietary trading; and (iii) sales and marketing of digital assets.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 2021 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 2021 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 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 2022 are the same as those followed in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts- Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020</i>

The application of the amendments to HKFRSs in the current period has had no material effect on the Company's financial performance and positions for the current and prior period and/or on the disclosures set out in the unaudited condensed consolidated financial statements. The Group has not applied any amendments to HKFRSs that is not yet effective for the current accounting period.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue principally arises from the (i) financial services business which consists of the provision of securities, futures and options brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, provision of mergers and acquisitions services, and other corporate finance related advisory services; (ii) proprietary trading; and (iii) sales and marketing of digital assets.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
<b>Revenue</b>		
<b><u>Continuing operations</u></b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major services lines		
– Brokerage commission and other related fees from dealing in securities and futures and options contracts	<b>3,626</b>	7,481
– Underwriting, sub-underwriting, placing and sub-placing commission	<b>2,584</b>	289
– Arrangement, referral, advisory and other fee income	<b>2,731</b>	4,520
– Sales and marketing of digital assets	<b>609</b>	–
	<b>9,550</b>	12,290
<b>Revenue from other sources</b>		
– Interest income from clients	<b>26,126</b>	25,503
	<b>35,676</b>	37,793
<b>Other income</b>		
Interest income from authorised institutions	<b>7</b>	80
Interest income from convertible bonds	<b>96</b>	–
Other interest income	<b>297</b>	241
Government grants ( <i>note</i> )	<b>801</b>	72
Sundry income	<b>18</b>	35
	<b>1,219</b>	428
<b>Total income</b>	<b>36,895</b>	38,221

*Note:* During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$801,000 (six months ended 30 June 2021: HK\$72,000) in respect of COVID-19-related subsidies, of which amounted to HK\$484,000 related to Employee Support Scheme, HK\$247,000 related to Hong Kong Institute of Human Resource Management Job Creation Scheme and HK\$70,000 related to Financial Industry Recruitment Scheme for Tomorrow (six months ended 30 June 2021: HK\$22,000 related to Hong Kong Institute of Human Resource Management Job Creation Scheme and HK\$50,000 related to Financial Industry Recruitment Scheme for Tomorrow) 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 manages its businesses by divisions, where are organised by different business lines.

Information reported to the Group's Executive Committee, being the chief operating decision maker, for the purposes of resources allocation and performance assessment is prepared on this basis. The Group has identified the following six (six months ended 30 June 2021: 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 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 sales and marketing of digital assets segment engages in the trading of digital assets in electronic platform.

The following tables represent revenue and results information of these operating segments for the six months ended 30 June 2022 and 2021.

**Six months ended 30 June 2022 (Unaudited)**

Continuing operations	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	32,336	2,731	-	-	-	609	35,676	-	35,676
Inter-segment sales	-	306	-	-	-	-	306	(306)	-
	<u>32,336</u>	<u>3,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609</u>	<u>35,982</u>	<u>(306)</u>	<u>35,676</u>
Segment profit (loss)	<u>9,353</u>	<u>(1,838)</u>	<u>(886)</u>	<u>(317)</u>	<u>(63,372)</u>	<u>(4,905)</u>	<u>(61,965)</u>	<u>-</u>	<u>(61,965)</u>
Unallocated administrative costs									(10,264)
Gain on acquisitions of financial assets at fair value through profit or loss ("FVTPL")									9,040
Fair value change on financial assets at FVTPL									1,300
Share of profit of an associate									<u>29</u>
Loss before tax for the period (continuing operations)									<u>(61,860)</u>



Six months ended 30 June 2021 (Unaudited) (Restated)

Continuing operations	Brokerage and financing <i>HK\$'000</i>	Corporate finance and other	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
		advisory services <i>HK\$'000</i>						
Segment revenue	33,273	4,520	-	-	-	37,793	-	37,793
Inter-segment sales	-	286	-	-	-	286	(286)	-
	<u>33,273</u>	<u>4,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,079</u>	<u>(286)</u>	<u>37,793</u>
Segment profit (loss)	<u>38,869</u>	<u>(878)</u>	<u>(752)</u>	<u>(382)</u>	<u>77,826</u>	<u>114,683</u>	<u>-</u>	<u>114,683</u>
Unallocated administrative costs								(6,868)
Share of profit of an associate								<u>109</u>
Profit before tax for the period (continuing operations)								<u>107,924</u>

Segment profit or loss represents the profit earned by/loss from each segment, before the adjustments of unallocated administrative costs, gain on acquisitions of financial assets at FVTPL, fair value change on financial assets at FVTPL and share of profit of an associate. 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 2022, no single customer (six months ended 30 June 2021: 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 2022 and 2021. 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 (LOSSES) AND GAINS

### Continuing operations

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Loss on disposal of property and equipment	–	(23)
Net exchange (loss) gain	(42)	65
Gain on acquisitions of financial assets at FVTPL	9,040	–
Fair value change of financial assets at FVTPL	1,300	–
Net realised and unrealised (loss) gain on financial assets held for trading	(61,718)	79,385
	<u>(51,420)</u>	<u>79,427</u>

## 6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

### Continuing operations

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Staff commission	1,102	1,461
Salaries and wages	18,730	15,479
Staff welfare	1,368	895
Recruitment costs	4	12
Provision of long service payment/annual leave benefits	330	274
Retirement benefits scheme contributions	431	402
Discretionary and performance related incentive payments and provision of gratuity	113	432
	<u>22,078</u>	<u>18,955</u>

## 7. FINANCE COSTS

### Continuing operations

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Interest on:		
Convertible bonds issued	309	1,131
Lease liabilities	359	92
Margin loan payables	892	—
	<u>1,560</u>	<u>1,223</u>

## 8. INCOME TAX EXPENSE

### Continuing operations

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current tax		
Hong Kong Profits Tax	127	2,310
Deferred tax		
Current year	(51)	1,313
	<u>76</u>	<u>3,623</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.

## 9. DISCONTINUED OPERATION

On 9 December 2021, the Company has entered into a sale 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021. The disposal was completed on 24 December 2021, on which date control of the Disposal Group was passed to the acquirer.

The results of the Disposal Group for the period ended 30 June 2021 were as follows:

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Revenue	51
Cost of sales	<u>(53)</u>
Gross loss	(2)
Other income	98
Staff costs	(1,943)
Depreciation	(3)
Other operating expenses	(4,299)
Finance costs	<u>(14)</u>
Loss before tax	(6,163)
Income tax expense	<u>(9)</u>
Loss for the period	<u><u>(6,172)</u></u>

## 10. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## 11. (LOSS) EARNINGS PER SHARE

### From continuing and discontinued operations

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>(Loss) earnings</b>		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	<u>(61,774)</u>	<u>101,143</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>2,078,602</u>	<u>1,705,628</u>
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>20,614</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>2,078,602</u>	<u>1,726,242</u>

### From continuing operations

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
(Loss) profit for the period attributable to the owners of the Company	<u>(61,774)</u>	<u>101,143</u>
Add: Loss for the period from discontinued operation	<u>–</u>	<u>3,158</u>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operations	<u>(61,774)</u>	<u>104,301</u>

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

The computation of diluted (loss) earnings 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 loss/increase in earnings per share for the six months ended 30 June 2022 and 2021. The computation of diluted loss per share does not assume the exercise of the Company's share options under the share option scheme granted in 2020 since their exercise would result in decrease in loss per share for the six months ended 30 June 2022.

## 12. ACCOUNTS RECEIVABLE

	As at <b>30 June 2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions ( <i>note a</i> ):		
Clearing house	<b>10</b>	14,848
Cash clients	<b>5,073</b>	4,017
Futures and options contracts transactions ( <i>note a</i> ):		
Clearing house	—	16
	<b>5,083</b>	18,881
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services ( <i>note a</i> )	<b>4,654</b>	3,880
Less: Impairment loss	<b>(1,657)</b>	(1,650)
	<b>2,997</b>	2,230
Accounts receivable arising from the ordinary course of business of money lending services ( <i>note b</i> )	<b>305,588</b>	273,274
Less: Impairment loss	<b>(79,229)</b>	(70,545)
	<b>226,359</b>	202,729
Accounts receivable arising from the ordinary course of business of dealing in ( <i>note c</i> ):		
Securities transactions:		
Margin clients	<b>136,239</b>	165,224
Less: Impairment loss	<b>(4,360)</b>	(6,773)
	<b>131,879</b>	158,451
	<b>366,318</b>	382,291

As at 30 June 2022, the gross amount of accounts receivable arising from contracts with customers amounted to approximately HK\$9,737,000 (31 December 2021: HK\$22,761,000).

The Group measures the loss allowance for accounts receivable at an amount equal to 12-month expected credit losses (“ECL”) or lifetime 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:

	<b>As at 30 June 2022</b>	As at 31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>3,129</b>	16,376
31-90 days	<b>946</b>	–
Over 90 days	<b>1,008</b>	2,505
	<b>5,083</b>	18,881

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:

	<b>As at 30 June 2022</b>	As at 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>872</b>	538
31-90 days	<b>346</b>	551
Over 90 days	<b>1,779</b>	1,141
	<b>2,997</b>	2,230

- (b) As at 30 June 2022, accounts receivable arising from money lending services bear fixed-rate interest from 0.667% to 1.5% per month or 8% to 18% per annum (31 December 2021: 0.667% to 1.5% per month or 8% to 18% 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 2022, accounts receivable with net carrying amount of approximately HK\$112 million (31 December 2021: HK\$82 million) were secured by the clients' listed and unlisted securities and clients' properties.
- (c) The accounts receivable due from margin clients of approximately HK\$136,239,000 (31 December 2021: HK\$165,224,000) were secured by the clients' listed securities which carried a fair value of approximately HK\$315,609,000 (31 December 2021: HK\$440,084,000).

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\$14,119,000 (31 December 2021: HK\$37,104,000), which are not fully secured by the respective clients' listed securities, are considered impaired. An impairment of approximately HK\$4,353,000 (31 December 2021: HK\$6,773,000) 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.

No aging analysis is disclosed as in the opinion of directors of the Company, aging analysis is not meaningful in view of the revolving nature of the business of margin loan financing.



### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets mandatorily measured at FVTPL		
Convertible bonds ( <i>note</i> )	18,900	8,964
Listed equity securities listed in Hong Kong	414,945	423,505
	<u>433,845</u>	<u>432,469</u>
Analysed for reporting purpose:		
– Non-current assets	18,900	–
– Current assets	414,945	432,469
	<u>433,845</u>	<u>432,469</u>

*Note:*

On 6 January 2022, the Company had subscribed a 3-year 2% unsecured non-redeemable convertible bonds issued by Virtual Mind Holding Company Limited (stock code: 1520) issued on 6 January 2022 for a principal amount of HK\$10,000,000 at a consideration of HK\$10,000,000 (the “1520CB”). The initial conversion price of the convertible bonds is HK\$0.1496 per share. The transaction was completed on 6 January 2022.

The fair values of the 1520CB were approximately HK\$17,600,000 and approximately HK\$18,900,000 as at 6 January 2022 and 30 June 2022 respectively, the fair values were calculated using Binomial Model by an independent professional valuer in which the parameters were summarised as follows:

	6 January 2022	30 June 2022
Share price of the issuer	HK\$0.244	HK\$0.238
Effective interest rate of the issuer	14%	14%
Risk free rate	0.99%	2.6%
Expected volatility of the issuer	112%	118%
Dividend yield of the issuer	0%	0%

The effective interest rate of the issuer was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the issuer. Risk free rate was determined with reference to yield of Hong Kong government bonds over the exercise period near the valuation dates of 6 January 2022 and 30 June 2022 respectively. Expected volatility of the issuer was determined using the historical volatility of the issuer’s share price over the exercise period as at the valuation dates of 6 January 2022 and 30 June 2022 respectively.

## 14. ACCOUNTS PAYABLE

	As at <b>30 June 2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house	3,013	–
Cash clients	1,428	18,122
Margin clients	177	1,842
	<u>4,618</u>	<u>19,964</u>
Accounts payable arising from sales and marketing of digital assets	1,163	1,213
	<u>5,781</u>	<u>21,177</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 on accounts payable arising from dealing in securities 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.

The settlement terms of accounts payable arising from the ordinary course of business of sales and marketing of digital assets are normally due immediately from date of transferring the title of the digital assets. The aging analysis of this payable based on the entitlement of custody of the digital products is as follows:

	As at <b>30 June 2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	–	1,213
Over 90 days	1,163	–
	<u>1,163</u>	<u>1,213</u>

## 15. SHARE CAPITAL

	Issued and fully paid Ordinary shares	
	Number of shares '000	Amount HK\$'000
At 1 January 2021	1,705,052	1,680,295
Issue of shares upon placing of shares ( <i>note a</i> )	341,150	69,936
Transaction costs attributable to issue of shares by placement ( <i>note a</i> )	–	(1,049)
Issue of shares upon exercise of share options ( <i>note b</i> )	32,400	11,162
	<u>2,078,602</u>	<u>1,760,344</u>
At 31 December 2021 (Audited) and 30 June 2022 (Unaudited)	<u>2,078,602</u>	<u>1,760,344</u>

### Notes:

- (a) On 2 July 2021, the Company entered into a placing agreement with a placing agent, pursuant to which the Company was desirous of offering the placing shares and use its best endeavour to procure not less than six placees for up to 341,150,000 shares of the Company at HK\$0.205 per placing shares. The completion of the placing took place on 27 July 2021 and a total of 341,150,000 shares of the Company were successfully placed to not less than six placees at the HK\$0.205 per sale share. All the conditions of the subscription as set out in the placing and subscription took place on 27 July 2021 whereby a total of 341,150,000 shares of the Company (the “Subscription Shares”) were allotted and issued at HK\$0.205 per Subscription Share in all respects. The net proceeds from the placing is approximately HK\$68,887,000 after deduction of commission and other related expenses of placing from the gross proceeds of approximately HK\$69,936,000.
- (b) During the year ended 31 December 2021, 32,400,000 share options under the share option scheme of the Company had been exercised by the holders at exercise price HK\$0.26 each for the issuance of shares. As a result of the exercise of share options, bank balances and cash and share capital have been increased by approximately HK\$8,424,000 and HK\$11,162,000 respectively and share option reserve has been decreased by approximately HK\$2,738,000. The new shares rank pari passu with the existing shares in all aspects.

## 16. CAPITAL COMMITMENTS

As at the end of the reporting period, the Group's commitments contracted but not provided for in respect of capital contribution to a joint venture and purchase of property and equipment are as follows:

	<b>As at 30 June 2022</b>	As at 31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Capital contribution to a joint venture ( <i>note</i> )	<b>523,098</b>	545,348
Acquisition of a private equity	—	8,600
	<b>523,098</b>	553,948

*Note:*

In July 2016, VC Brokerage entered into a joint venture agreement (the "Joint Venture Agreement") with three independent third parties to establish a joint venture, in which the principal activity is securities broking in Guangxi, the PRC (the "JV Company"). Pursuant to the Joint Venture Agreement, VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$523 million (31 December 2021: equivalent to approximately HK\$545 million), representing 44.5% shareholding in the JV Company. As at the date of this announcement, the application of the formation of the JV Company is still under China Securities Regulatory Commission's review.

## 17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2022 and 2021, the Group entered into the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of these directors	<b>95</b>	649

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **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 2022, which were contained in Appendix 14 of the Listing Rules.

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. Siu Miu Man, Simon, MH and Mr. Au Tin Fung, Edmund. 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 2022 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 2022.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.vcgroup.com.hk](http://www.vcgroup.com.hk). The Company's interim report for the six months ended 30 June 2022 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 five Executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Wong Kam Fat, Tony (Vice 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. Siu Miu Man, Simon, MH and Mr. Au Tin Fung, Edmund.

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

Hong Kong, 31 August 2022