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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 2022

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

	Year ended	
	2022	2021
	HK\$'000	HK\$'000
Revenue from continuing operations	73,281	90,554
(Loss) profit for the year from continuing operations	(178,092)	28,773
(Loss) profit attributable to owners of the Company	(178,091)	15,188
Loss for the year from a discontinued operation	–	(21,979)
(Loss) earnings per share (HK cents)		
Continuing and discontinued operations		
Basic	(8.57)	0.81
Diluted	(8.57)	0.81
Continuing operations		
Basic	(8.57)	1.54
Diluted	(8.57)	1.53
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, options brokering and dealing, financing services, corporate finance and other advisory services, asset management and insurance brokerage; (ii) proprietary trading; and (iii) sales and marketing of digital assets.

INDUSTRY OVERVIEW

In 2022, the global economy decelerated sharply amid downside risks relating to high inflation, rising geopolitical tensions, further tightened monetary policy and a resurgence of Coronavirus Disease 2019 ("COVID-19" or "the pandemic"). The latest report from the World Bank warns that the world economy is on the edge of recession, having experienced gross domestic product growth of just 2.9% in 2022.

During the year, China's economy saw ups and downs, with headwinds including COVID-19 lockdowns, a historic slump in the property market, and declining demand from major export destinations, all of which led to one of the country's worst economic performances in decades. The National Bureau of Statistics reported GDP growth of 3.0%, below the government's target. In the domestic financial sector, thanks to the government's ongoing capital market reform efforts, initial public offerings reached a record high in terms of funds raised, despite the challenging economic environment. The Shanghai Stock Exchange and the Shenzhen Stock Exchange were the two top-performing bourses globally in terms of total funds raised in 2022.

The year was a tumultuous one for global capital markets, marked by significant volatility. An ongoing tightening of monetary policy by major central banks, alongside turbulence in technology stocks and crypto assets, weighed heavily on stock markets worldwide, resulted in a drop of more than 20.0% in the MSCI All-country World Index. US equities suffered their worst year since 2008, with the S&P 500 down 19.4% year on year and the Dow Jones Industrial Average 8.9% lower.

In Hong Kong, as the pandemic situation stabilised, a higher employment rate and substantial relief measures in the form of the Consumption Voucher Scheme boosted private consumption. But weaker global demand and continued cross-boundary transportation disruptions negatively affected export performance, hindering the city's economic recovery. Following a worse-than-expected economic performance in the first three quarters, the Hong Kong government adjusted its real GDP growth for 2022 to negative 3.2%. Largely in line with major overseas markets, the Hang Seng Index fell 15.5% year on year, the Hang Seng China Enterprises Index dropped 18.6%, and the Hang Seng TECH Index plunged 27.2%. Although the IPO market enjoyed renewed momentum during the second half of the year, the number of deals was down 25% and total proceeds were 70% lower year on year.

BUSINESS REVIEW

During the year, capitalising on its robust financial capabilities and solid experience in the financial services industry, the Group continued to develop its traditional finance businesses and offered premium services to clients. Meanwhile, its newly developed digital assets sales and marketing business made encouraging progress. However, against the backdrop of escalating uncertainty in both the global and Hong Kong financial markets, the Group's revenue declined during the year.

The Group continued to offer local and overseas securities trading, derivatives and trading in other structured products, placements, underwriting and margin financing through VC Brokerage Limited ("VC Brokerage"), and financing services through VC Finance Limited ("VC Finance"). It also continued to offer placing and underwriting services to clients. During the year, the Group continued to act as a placing agent and underwriter for Hong Kong-listed companies' fundraising activities. It 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"). Among the abovementioned financial services, the brokerage and financing businesses remained the Group's major sources of income.

In its proprietary trading business, the Group held equity securities listed in Hong Kong as financial assets held-for-trading. To maintain its competitiveness and overcome challenges, the Group continued to focus on the fundamentals of its investment targets and will continue actively to pursue long-term capital gains.

While maintaining the development of its traditional financial service businesses, the Group is also actively seeking diversified business development opportunities and identifying new revenue growth engines to expand its portfolio. In December 2021, its digital asset sales and marketing business began operations, and has since benefited from significant effort and resources to expedite its development. Following the establishment of a professional sales and marketing team to broaden its sales channels, the Group formed strategic cooperation agreements with large enterprises, notably those in the tech sector.

During the year, the Group continued to enhance its collaboration with Tencent's direct business associates and became one of their selected partners. The Group also commenced a collaboration with the distributor of Microsoft products in Hong Kong, involving sales of Xbox-related digital assets.

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\$495 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.

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 31 December 2022 of approximately HK\$0.5 million.

Placing of 400,000,000 new shares under general mandate (lapsed) (the “Placing”)

On 20 December 2022, the Company entered into the placing agreement (the “Placing Agreement”) with VC Brokerage (the “Placing Agent”), an indirect wholly owned subsidiary of the Company, pursuant to which the Company was desirous of offering the placing shares (the “Placing Shares”) free from any encumbrance whatsoever for subscription and appointed the Placing Agent on sole and exclusive basis to place and procure subscriptions for the Placing Shares on a best effort basis subject to the terms and conditions set out in the Placing Agreement. The Placing Agent shall procure not less than six placees to subscribe for up to 400,000,000 Placing Shares at a price of HK\$0.128 per Placing Share.

As the conditions precedent as set out in the Placing Agreement were not fully satisfied or fulfilled by 10 January 2023, being the closing date of the Placing, the Placing Agreement lapsed and the Placing did not proceed. Details of the transaction had been disclosed in the Company's announcements dated 20 December 2022 and 10 January 2023.

Acquisition of Anli Asset Management Limited (“AAM”) and Anli Investment Fund SPC (“AIF”)

On 25 November 2022, VC Financial Group Limited (the “Purchaser”), being a direct wholly-owned subsidiary of the Company, and Anli Holdings Limited (the “Vendor”) entered into the sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which the Vendor conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the entire portfolio of 7,775,000 issued ordinary shares in AAM and the entire portfolio of 100 Management Shares in AIF as at the date of the Sale and Purchase Agreement at the consideration of HK\$15,000,000 by issuing consideration shares by the Company to the Vendor. In addition, subject to the fulfilment of the conditions of the earnout (the “Earnout”) to be determined by a formula set out in the Sale and Purchase Agreement, the Vendor shall be entitled to the Earnout of not more than HK\$25,000,000 by issuing further shares by the Company to the Vendor. As at the date hereof, the transaction has not yet completed.

Further details of the transaction are disclosed in the Company's announcements dated 25 November 2022, 16 December 2022 and 2 March 2023 and the Company's circular dated 14 February 2023.

Details of the Group's business performance of each operating segment for the year ended 31 December 2022, together with the comparative figures of the corresponding period in 2021, are given in the section “FINANCIAL REVIEW” below.

OUTLOOK

After years of macroeconomic and geopolitical turmoil, stock markets globally are expected to remain gloomy in 2023. According to the International Monetary Fund (“IMF”), increases in central bank interest rates to combat inflation and the Russia-Ukraine conflict will continue to depress global economic activity. According to the latest World Bank Global Economic Prospects report, global growth is set to slow from 2.9% in 2022 to 1.7% in 2023.

On the upside, a slower pace of interest rate rises followed by a gradual cooling of inflation will provide a more favourable environment for fundraising. Additionally, China's recent border reopening will pave the way for a domestic economic rebound, with the IMF expecting China's economic growth to rise to 5.2% in 2023. As economic activity accelerates following China's reopening, Hong Kong's economy is expected to recover, and the city's GDP is forecast to grow 3.8% in 2023. Its stock market is expected to regain its title as one of the top three global IPO hubs in 2023 and welcome the return of large listings in the second half of the year.

Given expectations of a gradual recovery of the Hong Kong stock market in 2023, the Group will maintain a prudent, cautiously optimistic approach to the development of its placing and underwriting business. Leveraging its long-term relationships with local clients, the Group will continue to provide superior services aimed at satisfying customer demand at competitive prices. In order to drive market expansion and seize growing opportunities, the Group aspires to enlarge the scope of its services while seeking appropriate acquisitions and investment targets.

In the financial services business, the Group has proposed acquiring AAM and AIF in November 2022. Following the approval of the acquisition by shareholders in March 2023, the Group will proceed with the transaction, which it anticipates will help to expand its customer base and improve the quality of its asset management services. By capitalising on the brands, reputations and management expertise of AAM and AIF, the Group will capture opportunities to further expand its asset management business and enhance its core competence in the industry.

Since its digital asset business began operations in December 2021, the Group has been dedicated to seizing more business opportunities in mainland China through establishing strategic partnerships and enhancing collaborations with partners, especially tech giant Tencent. The Group will allocate more resources to the segment in order to drive synergistic effects between its digital asset business and its other businesses. It will also explore trends in digital asset markets to drive its digital assets marketing, intellectual property collaboration and marketing cooperation development. The Group aims to further increase its presence in the digital asset market to enhance its profitability and market share.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's consolidated revenue was approximately HK\$73.3 million, which decreased by about 19% as compared with the same period in 2021 of approximately HK\$90.6 million. The Group recorded a loss attributable to owners of the Company was amounted to approximately HK\$178.1 million for the year ended 31 December 2022 against a profit of approximately HK\$15.2 million for the same period in 2021.

The loss in the Group's consolidated result attributable to shareholders in 2022 compared to profit of 2021 was mainly attributable to (i) decrease in revenue of approximately HK\$17.3 million; (ii) net realised and unrealised loss in financial assets at fair value through profit or loss of approximately HK\$171.7 million against net realised and unrealised gain of approximately HK\$32.9 million for the same period last year; partially offset by (iii) gain on acquisition of financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$9.0 million for the year ended 31 December 2022; and further partially offset by (iv) absence of loss from a discontinued operation which was approximately HK\$13.6 million incurred during the year ended 31 December 2021.

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

	2022		2021		Increase (decrease) %
	Proportion of total revenue HK\$'000	%	Proportion of total revenue HK\$'000	%	
Revenue from:					
Brokerage and Financing	63,968	87%	82,824	92%	(23)%
Brokerage commission and other related fees	6,792	9%	13,587	15%	(50)%
Underwriting, sub-underwriting, placing and sub-placing commission	4,256	6%	15,529	17%	(73)%
Interest income from brokerage clients	14,051	19%	16,017	18%	(12)%
Interest income from money lending clients	38,869	53%	37,691	42%	3%
Corporate Finance and Other Advisory Services	7,001	10%	7,430	8%	(6)%
Asset Management	-	-	-	-	-
Insurance Brokerage	-	-	10	-	(100)%
Proprietary Trading	250	-	284	-	(12)%
Sales and marketing of digital assets	2,062	3%	6	-	34,267%
Total revenue	<u>73,281</u>	<u>100%</u>	<u>90,554</u>	<u>100%</u>	(19)%

Segment Analysis

	2022	2021
	HK\$'000	HK\$'000
Segment results:		
Brokerage and Financing	22,948	50,889
Corporate Finance and Other Advisory Services	(3,175)	455
Asset Management	(1,710)	(1,629)
Insurance Brokerage	(502)	(746)
Proprietary Trading	(173,725)	31,695
Sales and marketing of digital assets	(8,198)	(3,174)
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Group segment (loss) profit	(164,362)	77,490
Gain on acquisition of financial assets at FVTPL	9,040	–
Fair value change on financial assets at FVTPL	500	299
Unallocated administrative costs	(23,440)	(38,351)
Share of profit of an associate	96	194
	<hr/>	<hr/>
(Loss) profit before tax	(178,166)	39,632
Income tax credit (expenses)	74	(10,859)
	<hr/>	<hr/>
(Loss) profit for the year from continuing operations	(178,092)	28,773
Loss for the year from a discontinued operation	–	(21,979)
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(Loss) profit for the year	(178,092)	6,794
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Brokerage and Financing

During the year ended 31 December 2022, the Company, through VC Brokerage, provides securities 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 2022, the brokerage and financing businesses recorded total revenue of approximately HK\$64.0 million as compared with approximately HK\$82.8 million for the same period last year, representing a decrease of about 23%, and accounted for about 87% of the Group's total revenue.

Brokerage service

One of the Group's major revenue streams, namely, brokerage commission and other related fees from dealing in securities and options contracts for the year ended 31 December 2022 was amounted to approximately HK\$6.8 million, which was about 50% lower than that of 2021 of approximately HK\$13.6 million, and accounted for about 9% of the Group's total revenue. The Group's brokerage transactions recorded decrease with average daily trading turnover decreasing from approximately HK\$25.0 million in 2021 to that of 2022 of approximately HK\$10.3 million, being a decrease of about 59%.

Financing service

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2022 decreased by about 2% to approximately HK\$52.9 million in 2021 from approximately HK\$53.7 million for the same period last year, and accounted for about 72% of the Group's total revenue. The revenue included the interest income derived from both the brokerage business and the money lending business.

Financing service: Brokerage clients

Among the above, the Group's interest income from our brokerage clients recorded approximately HK\$14.1 million for the year ended 31 December 2022, representing a decrease of about 12% as compared to approximately HK\$16.0 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 17% for the year ended 31 December 2022 as compared with the same period last year. For the year ended 31 December 2022, there was an additional impairment loss of approximately HK\$1.1 million on brokerage client receivables (2021: reversal of HK\$16.7 million) in accordance with the Group's credit control policies and procedures and requirements of relevant accounting standard. The average interest rate for brokerage clients is approximately 12%. Almost all brokerage client receivables are pledged with securities held by the clients.

Financing service: Money lending clients

The Group also provides money lending services to our clients. This aims at broadening our revenue base and also offering our clients with more financial flexibility to meet their personal and business needs. The Group's interest income generated from the money lending services was approximately HK\$38.9 million for the year ended 31 December 2022, representing an increase of about 3% as compared to approximately HK\$37.7 million for the same period last year. The increase was mainly attributable to increase of average loan portfolio of the money lending business by 2% in 2022 as compared with the same period last year.

Additional information on money lending business

(I) Business model

The Group's money lending business is managed through our indirect wholly owned subsidiary, VC Finance, with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group's customers principally include high net worth individuals, private companies or listed companies introduced to the directors of the Company through business/personal networks or are referred to the Group by its existing or former customers. There is no specific target loan size but each application would be dealt on its own merit. The Group finances this money lending business mainly by internal resources. The following internal control procedures are put in place:

Assessment and approval

Prior to granting of a loan, the Group carries out credit risk assessment on the customer, taking into account, inter alia, background of the customer or customer's shareholders (as the case maybe), purpose of the loan, source of repayment, value of collateral and guarantee(s), if any, and the financial strength of the customer/shareholders/guarantors.

The approval process for granting loans include the completion of account opening form (for new customer) and know-your-customer assessment. The finance department would verify the information obtained (including identity, business background information and collateral information), check against supporting documents (including identity documents, address proof, securities statements, documents by conducting public searches and financial statements (for corporate borrowers)) and initiate credit assessment form for further processing. The board of directors of VC Finance would be responsible for approving the grant of the loan. The legal and compliance department would prepare the loan documentation for signing.

Monitoring and recovery

If a customer does not repay the loan principal or accrued interest in accordance with the loan agreement, the finance department would promptly report to the credit committee of VC Finance including all directors of VC Finance. The credit committee members of VC Finance meet once a month to review the status of all customers, discuss necessary actions required and serves as an input for loan classification in calculating impairment loss on loan receivables for financial reporting purpose.

The actions taken for recovering delinquent loans would include examination and evaluation of the relevant loan status, discussion with the customer and internal discussion about formulating possible action plan. Recovery strategy involve a wide range of actions including revision of repayment terms, addition of collaterals/guarantee, execution of settlement agreement, foreclosure of collaterals/enforcement of guarantees and commencement of legal proceedings. The Group strives to strike a successful balance in its business operations and risk management by adhering to its credit policies in order to control the quality of its loan portfolio. The Group has also appointed an independent internal control advisor to conduct independent review on adequacy and effective of internal control systems of the Group's money lending business.

(II) Major terms of the loans granted

Summary

	2022	2021
Number of active loan accounts	24	24
Average loan amount	HK\$12.6 million	HK\$11.4 million
Percentage of amount of total loans and interest receivables from the largest customer	9%	9%
Percentage of amount of total loans and interest receivables from the largest 5 customers	40%	39%
Average duration	8.0 months	7.7 months
Interest rate range	8% to 18%	8% to 18%

Secured Loans

	2022	2021
Percentage of loans secured by collaterals including listed and unlisted equity securities and legal charge on properties (“Secured Loans”)	66%	34%
Average duration	9.2 months	7.9 months
Interest rate range	12% to 18%	12% to 18%

Unsecured Loans

	2022	2021
Percentage of loans with no collateral or guarantee (“Unsecured Loans”)	34%	66%
Average duration	6.9 months	7.5 months
Interest rate range	8% to 18%	8% to 18%

There was only 1 loan with aggregate principal and interest of approximately HK\$21.2 million (2021: HK\$20 million) (or 7.0% (2021: 7.3%) of the whole portfolio) paying 8% interest per annum, with the rest being 12% to 18% per annum. The borrower is the controlling shareholder of a famous financial group whose principal activities include securities and futures brokerage, provision of financial communication service, advisory services on corporate finance and digital media. With reference to the consolidated financial statements of the financial group, synergy in business collaboration was anticipated with the borrower’s entities and the borrower’s repayable capability was considered reliable.

When determining the terms of unsecured loans, the Group paid further attention on business background, financial position, repayment ability and reputation (including but not limited to their disclosed shareholdings and directorship in various listed companies) of respective borrowers and the Group’s potential business opportunities with them. The Group will take appropriate legal actions against the unsecured borrowers with an aim of recovery from their other assets in the event of prolonged defaults.

(III) Impairment recognition as at year end

The Group applies the general approach, which is often referred to as “three-stage model”, under HKFRS 9, in which Expected Credit Loss (“ECL”) of loan receivable are determined based on (a) the changes in credit quality of the loan receivable since initial recognition, and (b) the estimated expectation of an economic loss of the loan receivable under consideration.

Under the general approach, there are two measurement bases for allowance of ECL: (a) 12-month ECL, which are the ECL that result from default events that are possible within 12 months after the reporting date and are calculated as the allowance for ECL on a loan receivable weighted by the probability of default accumulated over the 12 months after the reporting date; (b) lifetime ECL, which are the ECL that result from all possible default events over the expected life of a loan receivable and are calculated as the allowance for ECL on a loan receivable weighted by the probability of default accumulated over the entire life of the loan receivable.

The allowance for ECL on loan receivables are derived from gross credit exposure, recovery rate and probability of default. The Group uses the following ECL formula to calculate the allowance for ECL on its loan receivables:

Allowance for ECL = gross credit exposure x adjusted probability of default x (1 – recovery rate)

For ECL assessment, the Group’s loan receivables are classified as follows:

- (i) Stage 1 (Performing) includes loan receivables that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these loan receivables, 12-month ECL are recognised.
- (ii) Stage 2 (Doubtful) includes loan receivables that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these loan receivables, lifetime ECL are recognised.
- (iii) Stage 3 (Default) includes loan receivables that have objective evidence of impairment and are considered as credit-impaired financial assets at the reporting date. For these loan receivables, lifetime ECL are recognised.

Details of impairment recognition is as below:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Stage 1	0.5	0.1
Stage 2	21.7	43.2
Stage 3	56.1	27.2
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Total	78.3	70.5
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To ensure the adequacy of allowance for ECL on loan receivables, the Group engaged an independent professional valuer to conduct a valuation on the allowance for ECL on loan receivables recognised for each reporting period.

(IV) Additional impairment loss for the year ended 31 December 2022:

	No. of loans	Amount <i>HK\$'million</i>
Fully repaid during the year (1 loan)	N/A	(1.0)
Existing Stage 1 loans		
– With ECL impairment	3	0.2
– With ECL reversal	2	(7.1)
– No movement	3	–
Existing Stage 2 loans		
– With ECL impairment	4	5.2
– With ECL reversal	4	(14.1)
– No movement	2	–
Existing Stage 3 loans		
– With ECL impairment	3	24.5
– No movement	2	–
Newly granted Stage 2 loan		
– With ECL impairment	1	0.1
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Total	24	7.8
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Analysis of significant impairment on certain customers for the year ended 31 December 2022 are presented below:

	Impairment amount <i>HK\$'million</i>	Detailed reasons for additional impairment
Existing Stage 2 loans		
Customer A	2.9	Reduction in value of securities as collateral
Customer B	1.6	Reduction in value of securities as collateral
2 others customers	<u>0.7</u>	
	<u><u>5.2</u></u>	
Existing Stage 3 loans		
Customer C	12.8	No repayment despite repeated demands, considered credit impaired
Customer D	8.5	Reduction in value of securities as collateral and not responsive
Customer E	<u>3.2</u>	Reduction in value of securities as collateral and not responsive
	<u><u>24.5</u></u>	

In summary, aggregate ECL impairment was approximately HK\$30.0 million (2021: HK\$25.7 million) while aggregate ECL reversal was approximately HK\$22.2 million (2021: HK\$6.3 million), resulting in net ECL impairment of approximately HK\$7.8 million (2021: HK\$19.4 million) during the year.

The Group has put efforts on implementing our credit control policies and procedures to review our clients' creditworthiness and credit limits from time to time so as to minimise 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.

Placing and underwriting services

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 2022, the Group's placing and underwriting commission was approximately HK\$4.3 million as compared with approximately HK\$15.5 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 a profit after tax of approximately HK\$22.9 million for the year ended 31 December 2022 as compared with a profit of approximately HK\$41.3 million for the same period last year. The deterioration of the performance in 2022 was mainly due to the Group did not secure much placing and underwriting business from the capital market as last year.

Corporate Finance and Other Advisory Services

The Company through its indirect wholly owned subsidiary, VC Capital, provides corporate finance advisory services to its clients. The Company through its another indirect wholly owned subsidiary, VCCS, provides corporate services, including company secretarial services, registered office and business services, etc., to listed and private companies.

For the year ended 31 December 2022, the Group's corporate finance and other advisory services recorded revenue and loss after tax of approximately HK\$7.0 million and HK\$3.2 million as compared with revenue of approximately HK\$7.4 million profit after tax of approximately HK\$0.5 million for the same period last year, respectively.

Asset Management

For the year ended 31 December 2022, the Group's asset management business, through its indirect wholly owned subsidiary, VC Asset Management Limited, recorded an operating loss after tax of approximately HK\$1.7 million as compared with a loss of approximately HK\$1.6 million for the same period last year, which mainly included the general operating expenses such as staff costs.

As disclosed in the paragraph headed "Acquisition of Anli Asset Management Limited and Anli Investment Fund SPC" under "MANAGEMENT DISCUSSION AND ANALYSIS" above, the Company enhanced the asset management business through the strategic acquisition. Following the relaxation of travelling restriction between Hong Kong and Mainland China in early 2023, the team actively approached potential clients so as to gain understanding of their needs, establish long-term business relationship with them and finally provide the personalised investment and wealth management services which can create greater value to them.

Insurance Brokerage

The Group, through Experts Management Limited, an indirect wholly owned subsidiary, was engaged in the provision for insurance brokerage service. Experts Management Limited owns insurance broker company licence and is entitled to conduct long term insurance business. During the year, Experts Management Limited recorded revenue of approximately nil (2021: HK\$10,000) with a loss of approximately HK\$502,000 (2021: HK\$746,000).

Proprietary Trading

As at 31 December 2022, the Group held equity securities listed in Hong Kong of approximately HK\$300.6 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 37% of the Group's total assets as at 31 December 2022 (31 December 2021: 42%). The global capital market plummeted during the year 2022, resulting in substantial realised and unrealised loss recognised. Nonetheless, travelling restrictions relaxed worldwide due to effect of COVID-19 being subsided poses hope of strong rebound as signaled towards end of 2022.

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 2022, there was net purchase in securities investment of approximately HK\$33.8 million (2021: HK\$186.3 million).

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$250,000 (2021: HK\$284,000) from the proprietary trading business. Meanwhile, the Group recognised net loss of approximately HK\$171.7 million (including a realised loss of approximately HK\$14.2 million and unrealised loss of approximately HK\$157.5 million) on the trading investments for the year ended 31 December 2022 as compared with net gain of approximately HK\$32.9 million (including realised loss of approximately HK\$16.7 million and unrealised gain of approximately HK\$49.6 million) for the same period in 2021.

Below is an analysis of the financial assets held-for-trading held by the Group as at 31 December 2022:

Industries	Market value as at 31 December 2022 <i>HK\$'million</i>	Percentage to the Group's total assets %	Unrealised gain (loss) for the year ended 31 December 2022 <i>HK\$'million</i>
Energy	51.8	6.4%	(35.7)
Information technology	140.6	17.4%	(106.1)
Consumer goods and services	39.5	4.9%	2.7
Metals and minerals	7.0	0.9%	1.9
Financials	37.7	4.6%	(4.6)
Industrials	24.0	3.0%	(15.7)
	<u>300.6</u>	<u>37.2%</u>	<u>(157.5)</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. The loss incurred during year 2022 was in line with the plummet of global capital market. Overall, the Group's proprietary trading business recorded loss after tax of approximately HK\$173.7 million for the year ended 31 December 2022 (2021: profit after tax of HK\$31.7 million).

Sales and marketing of digital assets

During the year ended 31 December 2022, the Group recorded gross merchandise volume and revenue of approximately HK\$363.1 million and HK\$2.1 million (2021: HK\$1.3 million and HK\$6,000) respectively. Revenue from sales and distribution of Q Coins amounted to approximately HK\$2.0 million, representing approximately 95% of the segment. The remaining revenue attributable to this segment was from sale of digital collection (Mainland China's version of NFT). As a result, this segment recorded loss after tax of approximately HK\$8.2 million (2021: HK\$3.2 million).

Unallocated administrative costs

For the year ended 31 December 2022, the unallocated administrative costs amounted to approximately HK\$23.4 million as compared with approximately HK\$38.4 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\$15.0 million in 2022 was mainly attributable to the loss on disposal of subsidiaries in 2021.

Income tax credit/expenses

For the year ended 31 December 2022, the Group recognised income tax credit of approximately HK\$74,000 (2021: income tax expense of HK\$10.9 million) which included current tax expense of approximately HK\$31,000 (2021: HK\$5.3 million) and deferred tax credit of approximately HK\$105,000 (2021: deferred tax expense of HK\$5.6 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 (credit) expense was recognised mainly in relation to the convertible bonds issued by the Company.

Finance costs

For the year ended 31 December 2022, the finance costs of the Group amounted to approximately HK\$3.2 million (2021: HK\$2.3 million), out of which approximately HK\$0.6 million (2021: HK\$1.4 million) was incurred pursuant to the effective interest expense of convertible bonds issued by the Company during the year ended 31 December 2022, 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 2022, the Group employed a total of 72 employees (31 December 2021: 69), which excluded 9 self-employed account executives for brokerage services (31 December 2021: 15), and 60 and 12 (31 December 2021: 67 and 2) were located in Hong Kong and the PRC respectively. Salaries and staff benefit costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$40.9 million and HK\$2.2 million respectively for the year ended 31 December 2022 as compared with approximately HK\$36.4 million and HK\$3.1 million respectively for the same period last year. The increase in the salaries and staff benefits costs of approximately HK\$4.5 million in 2022 was mainly attributable to the development of digital assets sector 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 2022, 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 2022, bank balances and cash were mainly denominated in Hong Kong dollars and Renminbi as to approximately HK\$29.8 million and HK\$2.2 million (2021: 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 2022.

As at 31 December 2022, the Group obtained margin financing facilities from certain brokerage firms in the amount of approximately HK\$17.0 million (2021: HK\$20.1 million) and margin loans obtained amounted to approximately HK\$18.5 million (2021: HK\$15.3 million).

As at 31 December 2022 and 2021, the Group did not hold any banking facilities.

As at 31 December 2022, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$32.3 million (31 December 2021: HK\$74.5 million), HK\$693.0 million (31 December 2021: HK\$890.7 million) and HK\$747.7 million (31 December 2021: HK\$926.9 million) respectively, representing decrease of about 56%, 22% and 19% respectively as compared with that of 31 December 2021. Current ratio, expressed as current assets over current liabilities, remained robust at about 13 times as at 31 December 2022 (31 December 2021: 17 times).

As at 31 December 2022, the total numbers of issued ordinary shares of the Company were 2,078,601,598 (31 December 2021: 2,078,601,598).

Charges on group assets

As at 31 December 2022, trading securities with fair value of approximately HK\$73.0 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 year ended 31 December 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 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 2022 and 31 December 2021, 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 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 5% (31 December 2021: 4%).

Significant investments held, their performance and future prospects

For the year ended 31 December 2022, 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 2022 was the Group's investment in 53,982,000 shares or approximately 8.09% of IBO Technology Company Limited (Stock Code: 2708) ("IBO Technology") with fair value of approximately HK\$84.8 million, which amounts to approximately 10.5% 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\$93.9 million. During the year ended 31 December 2022, its share price has decreased by approximately 36.9% and the Group recorded unrealised loss of approximately HK\$51.5 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.

Included in the financial assets held-for-trading as at 31 December 2022 was the Group's investment in 17,354,000 shares or approximately 2.98% of HG Semiconductor Limited (Stock Code: 6908) ("HG Semiconductor") with fair value of approximately HK\$51.4 million, which amounts to approximately 6.4% 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\$110.7 million. During the year ended 31 December 2022, its share price has decreased by approximately 59.3% and the Group recorded unrealised loss of approximately HK\$59.0 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.

Included in the financial assets held-for-trading as at 31 December 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\$49.7 million, which amounts to approximately 6.1% 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\$62.7 million. During the year ended 31 December 2022, its share price has decreased by approximately 41.4% and the Group recorded unrealised loss of approximately HK\$35.1 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.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

Save as the acquisition of Anli Assets Management Limited and Anli Investment Fund SPC disclosed above, the Group's did not have any material acquisition or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

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

As at 31 December 2022 and as at the date hereof, the Group had no other known plans with regard to material investments or capital assets and their expected sources of funding in the coming year.

Meanwhile, as at 31 December 2022, 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

On 21 February 2023, the Company entered into the placing agreement (the “Placing Agreement”) with VC Brokerage Limited (the “Placing Agent”), an indirect wholly owned subsidiary of the Company, pursuant to which the Company was desirous of offering the placing shares (the “Placing Shares”) free from any encumbrance whatsoever for subscription and appointed the Placing Agent on sole and exclusive basis to place and procure subscriptions for the Placing Shares on a best effort basis subject to the terms and conditions set out in the Placing Agreement. The Placing Agent shall procure not less than six places to subscribe for up to 400,000,000 Placing Shares at a price of HK\$0.12 per Placing Share. At the end, the Placing Agent successfully placed 300,000,000 Placing Shares, which represent (i) approximately 14.43% of the aggregate number of issued Shares as at the date of completion; and (ii) approximately 12.61% of the aggregate number of issued Shares as enlarged by the allotment and issue of the 300,000,000 Placing Shares. The aggregate gross proceeds from the Placing was HK\$36.0 million and the Company intends to use the net proceeds of approximately HK\$35.2 million from the Placing for (i) general working capital including but not limited to rental and salary expenses of approximately HK\$20.2 million; and (ii) potential investments when opportunities arise of approximately HK\$15 million, if any. The Placing was completed on 14 March 2023.

Save as disclosed above, there was no significant event affecting the Group after 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Revenue	3	73,281	90,554
Other income	3	3,168	1,726
Other (losses) gains	5	(162,306)	33,184
Impairment losses on accounts receivable, net		(10,212)	(3,324)
Reversal of (impairment losses) on other receivables, net		5,123	(129)
Staff costs		(43,062)	(39,475)
Commission expenses		(3,019)	(5,704)
Depreciation of property and equipment		(1,018)	(2,539)
Depreciation of right-of-use assets		(7,055)	(7,284)
Finance costs		(3,236)	(2,275)
Other operating expenses		(29,926)	(25,296)
Share of profit of an associate		96	194
		<hr/>	<hr/>
(Loss) profit before tax	6	(178,166)	39,632
Income tax credit (expenses)	8	74	(10,859)
		<hr/>	<hr/>
(Loss) profit for the year from continuing operations		(178,092)	28,773
		<hr/>	<hr/>
Discontinued operation			
Loss for the year from a discontinued operation	9	–	(21,979)
		<hr/>	<hr/>
(Loss) profit for the year		(178,092)	6,794
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		(581)	(6,344)
Exchange difference on translation of foreign operations		(571)	–
		<hr/>	<hr/>
Total comprehensive (expense) income for the year		(179,244)	450
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
(Loss) profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(178,091)	28,779
– Discontinued operation		–	(13,591)
		<u>(178,091)</u>	<u>15,188</u>
Non-controlling interests			
– Continuing operations		(1)	(6)
– Discontinued operation		–	(8,388)
		<u>(1)</u>	<u>(8,394)</u>
		<u>(178,092)</u>	<u>6,794</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company			
– Continuing operations		(179,262)	22,435
– Discontinued operation		–	(13,591)
		<u>(179,262)</u>	<u>8,844</u>
Non-controlling interests			
– Continuing operations		18	(6)
– Discontinued operation		–	(8,388)
		<u>18</u>	<u>(8,394)</u>
		<u>(179,244)</u>	<u>450</u>
(Loss) earnings per share (HK cents)	10		
Continuing and discontinued operations			
Basic		(8.57)	0.81
Diluted		(8.57)	0.81
		<u>(8.57)</u>	<u>0.81</u>
Continuing operations			
Basic		(8.57)	1.54
Diluted		(8.57)	1.53
		<u>(8.57)</u>	<u>1.53</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Goodwill		2,016	2,016
Trading rights		–	–
Other intangible assets		1,246	1,246
Interest in an associate		777	681
Property and equipment		2,275	2,981
Statutory deposits		1,518	3,063
Rental and utility deposits		1,608	2,116
Right-of-use assets		8,775	15,830
Financial assets at fair value through profit or loss		18,100	–
Financial assets at fair value through other comprehensive income		22,592	23,173
		58,907	51,106
Current assets			
Inventories		713	–
Accounts receivable	11	394,081	382,291
Prepayments, deposits and other receivables		22,296	58,663
Financial assets at fair value through profit or loss		300,595	432,469
Bank balances and cash		32,309	74,536
		749,994	947,959
Current liabilities			
Accounts payable	12	5,235	21,177
Accrued liabilities and other payables		18,162	6,698
Margin loan payable		18,470	15,321
Convertible bonds		5,912	–
Lease liabilities		5,308	6,983
Tax payable		3,952	7,089
		57,039	57,268
Net current assets		692,955	890,691
Total assets less current liabilities		751,862	941,797

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Convertible bonds	–	5,278
Deferred tax liabilities	97	202
Lease liabilities	4,115	9,423
	<u>4,212</u>	<u>14,903</u>
Net assets	<u>747,650</u>	<u>926,894</u>
Capital and reserves		
Share capital	1,760,344	1,760,344
Reserves	(1,012,706)	(833,444)
Equity attributable to owners of the Company	747,638	926,900
Non-controlling interests	<u>12</u>	<u>(6)</u>
Total equity	<u>747,650</u>	<u>926,894</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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, insurance brokerage service and sales and marketing of digital assets.

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 the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group’s financial year beginning 1 January 2022:

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

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

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the following new and amended HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
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 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the above 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) sales and marketing of digital assets.

Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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	6,792	13,587
– Underwriting, sub-underwriting, placing and sub-placing commission	4,256	15,529
– Arrangement, referral, advisory and other fee income	7,001	7,430
– Insurance commission income	–	10
– Sales and marketing of digital assets	2,062	6
	<u>20,111</u>	<u>36,562</u>
Revenue from other sources		
– Interest income from clients	52,920	53,708
– Dividend income from listed equity securities classified as financial assets at FVTPL	250	284
	<u>53,170</u>	<u>53,992</u>
	<u>73,281</u>	<u>90,554</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	13,488	29,248
Over time	6,623	7,314
	<u>20,111</u>	<u>36,562</u>

Other income

	2022	2021
	HK\$'000	HK\$'000
<u>Continuing operations</u>		
Interest income from authorised institutions	120	101
Other interest income	829	477
	<hr/>	<hr/>
Total Interest income	949	578
Government grants (<i>note</i>)	2,192	200
Sundry income	27	948
	<hr/>	<hr/>
	3,168	1,726
	<hr/> <hr/>	<hr/> <hr/>

Note: During the year 31 December 2021, the Group recognised government grants of approximately HK\$2,192,000 (2021: HK\$200,000) in respect of COVID-19-related subsidies, of which amounted to HK\$1,480,000 (2021: nil) related to Employment Support Scheme and HK\$552,000 (2021: HK\$110,000) related to Hong Kong Institute of Human Resource Management Job Creation 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 reportable segments under HKFRS 8 Operating Segments as follows:

- (i) the brokerage and financing segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, and placing and underwriting services;
- (ii) the corporate finance and other advisory services segment engages in provision of corporate financial advisory services and company secretarial services;
- (iii) the asset management segment engages in provision of asset management services;
- (iv) the insurance brokerage segment engages in provision of insurance brokerage services;
- (v) the proprietary trading segment engages in trading of equity securities, debt securities and other financial products; and
- (vi) the sales and marketing of digital assets segment engages in earning commissions from facilitating the sales of trading of digital assets in electronic platform.

The following tables presented revenue and results of these reportable and operating segments for the years ended 31 December 2022 and 2021.

Year ended 31 December 2022

<u>Continuing operations</u>	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Insurance brokerage HK\$'000	Proprietary trading HK\$'000	Digital assets HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenues	63,968	7,001	-	-	250	2,062	73,281	-	73,281
Intersegment sales	-	782	-	-	-	-	782	(782)	-
	<u>63,968</u>	<u>7,783</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>2,062</u>	<u>74,063</u>	<u>(782)</u>	<u>73,281</u>
Segment profit (loss)	<u>22,948</u>	<u>(3,175)</u>	<u>(1,710)</u>	<u>(502)</u>	<u>(173,725)</u>	<u>(8,198)</u>	<u>(164,362)</u>	<u>-</u>	<u>(164,362)</u>
Unallocated administrative costs									(23,440)
Gain on acquisition of financial asset at FVTPL									9,040
Fair value change on financial asset at FVTPL									500
Share of profit of an associate									96
Loss before tax (continuing operations)									<u>(178,166)</u>

Year ended 31 December 2021

<u>Continuing operations</u>	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Insurance brokerage HK\$'000	Proprietary trading HK\$'000	Digital assets HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
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 an associate									194
Profit before tax (continuing operations)									<u>39,632</u>

5. OTHER (LOSSES) GAINS

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on disposal of property and equipment	–	(47)
Net exchange (loss) gain	(135)	76
Gain on acquisition of financial assets at FVTPL	9,040	–
Fair value change of financial assets at FVTPL	500	299
Net realised and unrealised (loss) gain on financial assets held-for-trading	<u>(171,711)</u>	<u>32,856</u>
	<u>(162,306)</u>	<u>33,184</u>

6. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Included in other operating expenses:		
Auditor's remuneration	1,707	1,300
Depreciation of property and equipment	1,018	2,539
Depreciation for right-of-use assets	7,055	7,284
Entertainment and travel expenses (mainly incurred for business development)	<u>7,902</u>	<u>6,095</u>

7. DIVIDENDS

No dividends was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

8. INCOME TAX CREDIT (EXPENSES)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Continuing operations</u>		
Current tax:		
Hong Kong Profits Tax	–	(5,371)
Underprovision in prior year		
Hong Kong Profits Tax	(31)	(4,223)
Deferred tax	<u>105</u>	<u>(1,265)</u>
	<u>74</u>	<u>(10,859)</u>

9. DISCONTINUED OPERATION

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. The disposal was completed on 24 December 2021, on which date control of the Disposal Group was passed to the acquirer.

The loss for the period from the discontinued operation was analysed as follows:

	1/1/2021 – 24/12/2021 HK\$'000
Loss of sales and distribution of healthcare products for the period	(21,872)
Loss on disposal of sales and distribution of healthcare products segment	<u>(107)</u>
	<u><u>(21,979)</u></u>

The results of the sales and distribution of health care products for the period from 1 January 2021 to 24 December 2021 were as follows:

	1/1/2021 – 24/12/2021 HK\$'000
Revenue	53
Cost of sales	<u>(53)</u>
Gross profit	–
Other income	99
Impairment on other receivables	(7,403)
Other operating expenses	(9,793)
Fair value change of derivatives financial assets	(4,735)
Finance costs	<u>(25)</u>
Loss before taxation	(21,857)
Income tax expenses	<u>(15)</u>
Loss for the period	<u><u>(21,872)</u></u>

10. (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 the owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(178,091)</u>	<u>15,188</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>2,078,602</u>	<u>1,867,704</u>
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>17,512</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>2,078,602</u>	<u>1,885,216</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:

(Loss) earnings figures are calculated as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit for the year attributable to the owners of the Company	(178,091)	15,188
Add: Loss for the year from a discontinued operation	<u>–</u>	<u>13,591</u>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operation	<u><u>(178,091)</u></u>	<u><u>28,779</u></u>

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

From a discontinued operation

During the year ended 31 December 2021, the basic loss for the discontinued operation is HK0.73 cents per share and diluted loss per share for the discontinued operation is HK0.72 cents per share, based on the loss for the year from the discontinued operation of approximately HK\$13,591,000 and the denominators detailed above for both basic and diluted earnings 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 a decrease in loss per share (2021: increase in earnings per share) for the year ended 31 December 2022. The computation of diluted loss per share does not assume the conversion of the Company's options since their exercise would result in a decrease in loss per share for the year ended 31 December 2022.

11. ACCOUNTS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>note a</i>):		
Clearing house	1	14,848
Cash clients	5,932	4,017
Futures and options contracts transactions (<i>note a</i>):		
Clearing house	–	16
	<u>5,933</u>	<u>18,881</u>
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services (<i>note a</i>)	6,715	3,880
Less: Impairment loss	<u>(2,945)</u>	<u>(1,650)</u>
	<u>3,770</u>	<u>2,230</u>
Accounts receivable arising from the ordinary course of business of money lending services (<i>note b</i>)	301,381	273,274
Less: Impairment loss	<u>(78,362)</u>	<u>(70,545)</u>
	<u>223,019</u>	<u>202,729</u>
Accounts receivable arising from the ordinary course of business of dealing in (<i>note c</i>):		
Securities transactions:		
Margin clients	169,158	165,224
Less: Impairment loss	<u>(7,873)</u>	<u>(6,773)</u>
	<u>161,285</u>	<u>158,451</u>
Accounts receivables arising from the ordinary business of selling digital assets (<i>note d</i>)	<u>74</u>	<u>–</u>
	<u><u>394,081</u></u>	<u><u>382,291</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,403	16,376
31 – 90 days	3,028	–
Over 90 days	1,502	2,505
	<u>5,933</u>	<u>18,881</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	203	538
31 – 90 days	486	551
Over 90 days	3,081	1,141
	<u>3,770</u>	<u>2,230</u>

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

- (c) No aging analysis is disclosed as in the opinion of Directors as the 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 marketing of digital assets 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:

	2022	2021
	HK\$'000	HK\$'000
Within 30 days	74	–

12. ACCOUNTS PAYABLE

	2022	2021
	HK\$'000	HK\$'000
Accounts payable arising from dealing in securities:		
Clearing house	2,780	–
Cash clients	238	18,122
Margin clients	785	1,842
	3,803	19,964
Accounts payable arising from sales and marketing of digital assets	1,432	1,213
	5,235	21,177

No aging analysis on accounts payable arising from dealing in securities is disclosed in the opinion of Directors as 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:

	2022	2021
	HK\$'000	HK\$'000
Within 30 days	1,432	1,213

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 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 of the Group. The Audit Committee has reviewed the Group's consolidated financial statements and results for the year ended 31 December 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 year ended 31 December 2022.

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 2022 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 2022, 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 2022 (the "2022 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 2022 will be held in May 2023. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2022 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 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 & Executive Director

Hong Kong
30 March 2023