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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 2024

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 2024, together with the unaudited comparative figures of the corresponding period in 2023.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Revenue	36,022	39,389
Loss for the period	(65,941)	(133,708)
Loss attributable to owners of the Company	(65,377)	(134,059)
Loss per share (HK cents)		
Basic	(2.64)	(5.43)
Diluted	(2.64)	(5.43)
Interim dividend per share (HK cents)	Nil	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited, together with its subsidiaries (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 also extended into property investment. The Group’s expertise includes (i) provision of financial services comprising securities brokering and dealing, financing services, corporate finance and other advisory services, asset management and insurance brokerage; (ii) proprietary trading; (iii) sales and marketing of digital assets; and (iv) property investment.

INDUSTRY OVERVIEW

As a leading international financial centre, Hong Kong has been adversely affected by the pandemic as well as global political and economic uncertainties in recent years. Interest rates also remains high and further impacting the Hong Kong financial market. In the first half of 2024, investment sentiment has remained cautious. In January 2024, the Hang Seng Index (the “HSI”) reached a year-on-year low of 14,794 points due to liquidity stress. However, improved market sentiment and enhanced measures for capital market connectivity between the Mainland and Hong Kong led to a rise in the HSI, peaking at 19,636 points in May. Despite this recovery, concerns over delayed U.S. interest rate cuts and the Mainland’s economic recovery caused the HSI to retreat.

BUSINESS REVIEW

Provision of Financial Services

During the six months ended of 30 June 2024 (the “Reporting Period”), the Group remained focused on providing premium, comprehensive financial services to clients in its main business focus area, capitalising on its prominent core technologies and solid experience in the financial services industry. Despite the market volatility, the Group continued to make efforts in core business development.

During the Reporting Period, the Group recorded a decrease in revenue, attributable primarily to the slight drop in brokerage commissions in the brokerage and financing business, as commission on fund raising reduced. To maintain competitiveness, the Company has restructured its human resources to enhance cost-efficiency, resulting in a decrease in staff costs.

The traditional brokerage and financing businesses remained the Group's major sources of income, contributing approximately 79% of its total revenue compared to the corresponding period of last year, which was recorded at 80%. The Group continues to offer local and overseas securities trading, placements, underwriting and margin financing through VC Brokerage Limited ("VC Brokerage"). During the Reporting Period, the Group also acted as placing agent and underwriter for Hong Kong-listed company's fundraising activities. In addition, the Group offered corporate finance and other 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, the asset management and insurance brokerage segments, with both revenues had steadily growth.

Proprietary Trading

In its proprietary trading business, as of 30 June 2024, the Group held financial assets for trading, comprising equity securities listed in Hong Kong, worth approximately HK\$113.8 million, a 27% decrease in market value compared to 31 December 2023. During the Reporting Period, the Group's stock holdings were mainly in the industrial sector.

The Group conducted a series of disposals of 54,540,000 shares of China Nuclear Energy Technology Corporation Limited (the "China Nuclear Energy Shares") (Stock code: 611) on the open market during the period from 10 January 2023 to 15 January 2024 (both dates inclusive) for an aggregate consideration of approximately HK\$22.79 million (excluding stamp duty and related expenses). Details of the transaction had been disclosed in the Company's announcements dated 4 January 2024 and 15 January 2024.

The Group also conducted a series of disposals of 17,360,000 shares of HG Semiconductor Limited (the "HG Semiconductor Shares") (Stock code: 6908) on the open market during the period from 11 July 2023 to 18 March 2024 (both dates inclusive) for an aggregate consideration of approximately HK\$17.8 million (excluding stamp duty and related expenses). Details of the transaction had been disclosed in the Company's announcements dated 19 March 2024 and 20 March 2024.

Sales and Marketing of digital assets

During the Reporting Period, the sales and marketing environment of Q-coins were not favourable and the segment recorded losses as a result. The group will closely monitor the operation of the segment and review from time to time.

Property Investment

In April 2024, the Group completed the acquisition of Polyton China Limited (the "Polyton China"), which holds a residential property in Hong Kong. The property is currently leased out and provide the Group with expanded revenue base through rental income while also offering potential for future property value appreciation.

Placing of 244,200,000 new shares under general mandate (lapsed)(the “Share Placing”)

On 22 February 2024, the Company entered into the share placing agreement (the “Share Placing Agreement”) with the VC Brokerage (the “Placing Agent”) which shall procure not less than six share placees to subscribe for up to 244,200,000 new Shares (the “Placing Shares”) at the share placing price of HK\$0.12 per Placing Share during the share placing period on a best effort basis. The Placing Shares represent (i) approximately 9.87% of the total number of issued ordinary shares of the Company (the “Shares”) as at the date of the Share Placing Agreement; (ii) approximately 8.99% of the total number of issued Shares as enlarged by the allotment and issue of the Placing Shares.

As the conditions precedent as set out in the Share Placing Agreement were not fully satisfied or fulfilled by 29 May 2024, being the share closing date, the Share Placing Agreement lapsed and the Share Placing did not proceed. Details of the Share Placing had been disclosed in the Company’s announcements dated 22 February 2024, 8 March 2024, 5 April 2024, 26 April 2024, 17 May 2024 and 29 May 2024.

Acquisition of Zhanhua Jiutai Gas Co, Ltd. (沾化久泰燃氣有限公司)(“Zhanhua Jiutai”) (lapsed) and placing of convertible bonds under specific mandate

On 22 February 2024, Astral Wealth Limited (“Astral Wealth”), the Company’s indirect wholly-owned subsidiary entered into the sale and purchase agreement with Beijing Zhonglu Longxiang Investment Co, Ltd. (北京中魯龍翔投資有限公司) (the “Vendor”) in relation to the acquisition of 24% of the total equity interest of Zhanhua Jiutai (the “Sale Interest”) at the consideration of HK\$30,000,000 by the issue of the consideration convertible bonds by the Company. As certain conditions precedent under the sale and purchase agreement have not been fulfilled or waived (as the case may be) on or before 28 June 2024, the Purchaser and the Vendor did not have to proceed with the transactions contemplated under the sale and purchase agreement.

On 22 February 2024, the Company entered into the convertible bonds placing agreement (the “CB Placing Agreement”) with the VC Brokerage (the “Placing Agent”) which shall procure not less than six CB Placees to subscribe for the convertible bonds in the aggregate principal amount of up to HK\$84.0 million with the initial placing conversion price of HK\$0.12 on a best effort basis. As the conditions precedent as set out in the CB Placing Agreement were not fully satisfied by 7 August 2024, the CB Placing Agreement lapsed and the placing of the convertible bonds did not proceed.

Details of the transaction had been disclosed in the Company’s announcements dated 22 February 2024, 13 March 2024, 14 June 2024, 28 June 2024, 5 July 2024 and 7 August 2024; and the Company’s circular dated 22 May 2024.

OUTLOOK

Amid the current uncertainties and fluctuations in the Hong Kong financial market, the Group, as a well-established and comprehensive financial services provider, remains committed to maintaining high service standards for our clients. Given the challenging economic conditions in Hong Kong, the Group has adopted a prudent approach in its financing business. Simultaneously, the Group will optimize resource allocation to ensure efficient use of resources and will actively explore new business and investment opportunities across various sectors, aiming to drive steady growth while adapting to the evolving market environment. Recognising the increasing focus on green energy and ESG, the Group identifies an opportunity in the natural gas industry, which, with its relatively lower carbon footprint compared to other fossil fuels, aligns with the Group's long-term business strategic goals.

FINANCIAL REVIEW

For the six months ended 30 June 2024, the Group's consolidated revenue was approximately HK\$36.0 million, which decreased by about 9% as compared with approximately HK\$39.4 million during the same period in 2023. The Group recorded a consolidated loss for the period amounted to approximately HK\$65.9 million for the six months ended 30 June 2024 against a loss of approximately HK\$133.7 million for the same period in 2023.

The decrease in loss was mainly due to (i) decrease in net realised and unrealised loss on financial assets held for-trading of approximately HK\$42.3 million for the period ended 30 June 2024 compared to same period last year; (ii) decrease in impairment loss on accounts receivable of approximately HK\$8.4 million for the period ended 30 June 2024 compared to same period last year; and (iii) decrease in staff costs of approximately HK\$13.1 million for the period ended 30 June 2024 compared to same period last year.

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

Revenue Analysis

	Six months ended 30 June 2024		Six months ended 30 June 2023		
	Proportion of total revenue		Proportion of total revenue		Increase (decrease)
	HK\$'000	%	HK\$'000	%	%
Revenue from:					
Brokerage and Financing	28,624	79%	31,532	80%	(9%)
Brokerage commission and other related fees	2,143	6%	2,558	6%	(16%)
Underwriting, sub-writing, placing and sub-placing commission	178	–	900	2%	(80%)
Interest income from brokerage clients	10,342	29%	9,375	24%	10%
Interest income from money lending clients	15,961	44%	18,699	48%	(15%)
Corporate Finance and Other Advisory Services	2,667	8%	2,298	6%	16%
Asset Management	811	2%	691	2%	17%
Insurance Brokerage	2,511	7%	2,130	5%	18%
Proprietary Trading	–	–	–	–	–
Sales and Marketing of Digital Assets	1,339	4%	2,738	7%	(51%)
Property Investment	70	–	–	–	100%
	<u>36,022</u>	<u>100%</u>	<u>39,389</u>	<u>100%</u>	
Total revenue	<u>36,022</u>	<u>100%</u>	<u>39,389</u>	<u>100%</u>	(9%)

Segment Analysis

	Six months end 30 June	
	2024	2023
	HK\$'000	HK\$'000
Segment results:		
Brokerage and Financing	(6,170)	(25,574)
Corporate Finance and Other Advisory Services	(1,556)	(4,905)
Asset Management	(279)	(1,058)
Insurance Brokerage	(198)	(156)
Proprietary Trading	(44,679)	(87,022)
Sales and Marketing of Digital Assets	(1,826)	89
Property Investment	(3)	—
	<hr/>	<hr/>
Group segment loss	(54,711)	(118,626)
Fair value change on financial assets at fair value through profit or loss	—	(6,400)
Unallocated administrative costs	(11,138)	(8,718)
Share of result of an associate	(15)	50
	<hr/>	<hr/>
Loss before tax	(65,864)	(133,694)
Income tax expense	(77)	(14)
	<hr/>	<hr/>
Loss for the period	<u>(65,941)</u>	<u>(133,708)</u>

Brokerage and Financing

During the six months ended 30 June 2024, the Company, through its indirect wholly owned subsidiary, namely, VC Brokerage, provides securities 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 six months ended 30 June 2024, the brokerage and financing businesses recorded total revenue of approximately HK\$28.6 million as compared with approximately HK\$31.5 million for the same period last year, representing a decrease of about 9%, and accounted for approximately 79% of the Group's total revenue.

Brokerage service

The Group's brokerage commission and other related fees from dealing in securities for the six months ended 30 June 2024 was approximately HK\$2.1 million (six months ended 30 June 2023: HK\$2.6 million), representing a decrease of about 16%, and accounted for about 6% of the Group's total revenue. The Group recorded a decrease in brokerage transactions for the first half of 2024 as the average daily trading turnover decreased by about 24% 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 2024, the Group recorded approximately HK\$0.2 million placing and underwriting commission (six months ended 30 June 2023: HK\$0.9 million).

Financing service

The Group's total interest income from financing for the six months ended 30 June 2024 decreased by about 6% to approximately HK\$26.3 million from approximately HK\$28.1 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.

Financing service: Brokerage clients

The Group's interest income from our brokerage clients recorded approximately HK\$10.3 million for the six months ended 30 June 2024, representing an increase of about 10% as compared to approximately HK\$9.4 million for the same period last year. The increase was mainly attributable to the increase of average loan portfolio of our brokerage clients by about 7% for the six months ended 30 June 2024 as compared with the same period last year. For the six months ended 30 June 2024, there was additional of impairment loss of approximately HK\$18.3 million on brokerage client receivables (six months ended 30 June 2023: additional of HK\$9.8 million). The average interest rate for brokerage clients is approximately 12%.

Financing service: Money lending clients

The Group's interest income generated from the money lending services was approximately HK\$16.0 million for the six months ended 30 June 2024, representing a decrease of about 15% as compared to approximately HK\$18.7 million for the same period last year. During the six months ended 30 June 2024, the Group did not grant any new loan (six months ended 30 June 2023: 4).

As at 30 June 2024, the Group had 25 active loan accounts (comprising 18 individuals and 7 corporations) under the Company's Loan portfolio. The Company provides its financing service to individual and corporation clients of different backgrounds. The money lending business was funded by the internal resources of the Group.

The average loan amount of these loan accounts was approximately HK\$13.7 million (six months ended 30 June 2023: HK\$12.7 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 about 10% and 40% (six months ended 30 June 2023: 10% and 39%) respectively. Certain loans are secured by collaterals including equity shares of certain listed and unlisted companies and legal charges on properties. Interest rates charged to customers range from 8% to 18% per annum as at 30 June 2024.

Assessment and approval

Prior to granting of a loan, the Group carries out credit risk assessment on the customer, taking into account, inter alias, background of the customer or the 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 loans. 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.

Maturity profile of the loans were as below:

	Receivables gross carrying amount HK\$'000	No. of rollover times
Matured	334.6	0-7
To be matured between 6 months and 1 year	<u>8.7</u>	1-2
	<u><u>343.3</u></u>	

For those matured loans, the Company held negotiations with the borrowers in serious manner with an aim to agree settlement plans or obtain further collaterals to protect the Company's position. For those borrowers from whom satisfactory responses are unable to obtain, the Company shall take formal legal actions to recover the loans.

Compliance with Chapter 14 and/or 14A of the Listing Rules and Money Lenders Ordinance

The Group is required to, and has at all times, strictly comply with all relevant laws and regulations. The Company has complied with those requirements as set out in Chapter 14 and/or 14A of the Listing Rules when it granted or extended the loans to each of the respective borrower whose loan was still outstanding as at 30 June 2024.

In addition to the Listing Rules, the Money Lenders Ordinance constituted a major governance on the Group's money lending business in Hong Kong. During the six months ended 30 June 2024, VC Finance did not receive any objection from and was not investigated by the Registrar of Money Lenders (currently performed by the Registrar of Companies) nor the Commissioner of Police regarding the renewal of the money lenders license.

Impairment recognition as at period 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 receivables are determined based on (a) the changes in credit quality of the loan receivables since initial recognition, and (b) the estimated expectation of an economic loss of the loan receivables under consideration.

Details of impairment recognition is as below:

	As at 30 June 2024 HK\$'million	As at 31 December 2023 HK\$'million
Stage 1	–	0.1
Stage 2	61.2	93.1
Stage 3	112.6	78.5
Total	173.8	171.7

For the six months ended 30 June 2024, the above estimation was under the management's credit assessment on the borrowers' commitment and performance to repay the loans. The rate of loans receivable ECL range from 9% to 100% (six months ended 30 June 2023: 14% to 100%).

For the six months ended 30 June 2024, there was an additional impairment loss of approximately HK\$2.1 million on money lending client receivables (six months ended 30 June 2023: HK\$17.0 million).

Overall, the operating performance of the brokerage and financing businesses for the six months ended 30 June 2024 recorded an operating loss after tax of approximately HK\$6.2 million (six months ended 30 June 2023: loss after tax of HK\$25.6 million).

Corporate Finance and Other Advisory Services

The Company through VC Capital provides corporate finance and other 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.

For the six months ended 30 June 2024, the Company's corporate finance and other advisory services recorded revenue and loss after tax of approximately HK\$2.7 million (six months ended 30 June 2023: HK\$2.3 million) and approximately HK\$1.6 million (six months ended 30 June 2023: HK\$4.9 million), respectively. Its revenue accounted for approximately 8% of the Group's one.

Asset Management

The Company through VC International Asset Management Limited and Anli Investment Fund SPC, recorded revenue and loss after tax of approximately HK\$0.8 million (six months ended 30 June 2023: HK\$0.7 million) and approximately HK\$0.3 million (six months ended 30 June 2023: HK\$1.1 million), respectively. Its revenue accounted for about 2% of the Group's one. The fund manager strived for new fund projects for generating more commissions during the Reporting Period, a certain set-up legal and administrative costs have recorded.

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 2024, Experts Management recorded revenue of approximately HK\$2.5 million (six months ended 30 June 2023: HK\$2.1 million) with an operating loss of approximately HK\$0.2 million (six months ended 30 June 2023: HK\$0.2 million).

Proprietary Trading

As at 30 June 2024, the Group held equity securities listed in Hong Kong of approximately HK\$113.8 million (31 December 2023: HK\$155.1 million) as financial assets held-for-trading, which was stated at market value. The fair value of these listed equity securities represents about 22% of the Group's total assets as at 30 June 2024 (31 December 2023: 30%). A few securities with relatively heavy weights within the portfolio were not performing well during the six months ended 30 June 2024, 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 2024, there was net sale of securities investment of approximately HK\$54.6 million (six months ended 30 June 2023: net sale of HK\$5.6 million).

For the six months ended 30 June 2024, the Group did not record any revenue (six months ended 30 June 2023: Nil) from the proprietary trading business. Meanwhile, the Group recognised net loss of approximately HK\$41.4 million (six months ended 30 June 2023: HK\$83.7 million), including realised loss of approximately HK\$48.7 million (six months ended 30 June 2023: HK\$8.4 million) and unrealised gain of approximately HK\$7.3 million (six months ended 30 June 2023: unrealised loss of approximately HK\$75.3 million).

Below is an analysis of the financial assets held-for-trading held by the Group as at 30 June 2024:

Industries	Market value As at 30 June 2024 <i>HK\$'million</i>	Percentage to the Group's total assets	Unrealised gain/(loss) for the six months ended 30 June 2024 <i>HK\$'million</i>
Information Technology	1.9	0.3%	12.2
Energy	2.0	0.4%	6.9
Industrials	71.1	14.1%	(18.1)
Consumer goods and services	21.5	4.3%	(12.9)
Financials	17.3	3.4%	19.2
	<u>113.8</u>	<u>22.5%</u>	<u>7.3</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, for the six months ended 30 June 2024, the Group's proprietary trading business recorded an operating loss of approximately HK\$44.7 million (six months ended 30 June 2023: HK\$87.0 million).

Sales and Marketing of Digital Assets

During the six months ended 30 June 2024, the Group recorded the revenue of approximately HK\$1.3 million (six months ended 30 June 2023: HK\$2.7 million). Revenue were mainly from commission of providing platform for mobile game application. This segment recorded a loss after tax of approximately HK\$1.8 million (six months ended 30 June 2023: profit after tax of HK\$89,000), which contributed to the unfavourable market result in the sales and marketing of Q-coins.

Property Investment

Following the completion of acquisition of Polyton China disclosed above, the Group immediately entered into a rental agreement for monthly rental since May 2024. It recorded the revenue of approximately HK\$70,000 and a loss after tax of approximately HK\$3,000 as at the six months ended 30 June 2024.

Income tax expense

During the six months ended 30 June 2024, the Group recognised an income tax expense of approximately HK\$77,000 (six months ended 30 June 2023: HK\$14,000) which included over provision of current tax of approximately HK\$66,000 (six months ended 30 June 2023: expense of HK\$71,000) and deferred tax expense of approximately HK\$143,000 (six months ended 30 June 2023: deferred tax credit of HK\$57,000). The over provision of current tax was made for the over-provision of PRC Enterprise Income Tax in relation to the profitability generated from the sales and marketing of digital assets business in prior year. The deferred tax expense was recognised in relation to derecognised of the deferred tax asset made in relation to asset management segment.

Finance costs

For the six months ended 30 June 2024, the finance costs of the Group amounted to approximately HK\$1.9 million (six months ended 30 June 2023: HK\$1.9 million).

Headcount and employees information

As at 30 June 2024, the Group employed a total of 61 employees (31 December 2023: 74), which excluded 11 self-employed account executives for brokerage services (31 December 2023: 11), 1 self-employed account executives for asset management service (31 December 2023: 1), and 56 and 5 were located in Hong Kong and the PRC respectively (31 December 2023: 64 in Hong Kong and 10 in the PRC). For the six months ended 30 June 2024, salaries and staff benefit costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$20.7 million and HK\$0.1 million (six months ended 30 June 2023: HK\$32.5 million and HK\$1.4 million) respectively. Details had been disclosed in Note 6 to the unaudited condensed consolidated financial statements. The decrease in the salaries and staff benefits costs of approximately HK\$13.1 million during the first half of 2024 was mainly attributable to the Group has been restructuring human resources to be cost-effective.

Liquidity and financial resources/capital structure

For the six months ended 30 June 2024, the Group financed its business operations and investments mainly with (i) internal resources; (ii) cash revenues generated from operating activities; (iii) convertible bonds; (iv) margin loans; and (v) other borrowing.

The Group adopts a prudent treasury policy. As at 30 June 2024, bank balances and cash were denominated in Hong Kong dollars, Renminbi and United States dollars as to approximately HK\$14.0 million, HK\$1.9 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 2024.

As at 30 June 2024, the Group maintained margin loan facilities from certain brokerage firms in the amount of HK\$18.5 million (31 December 2023: HK\$18.5 million) and margin loans obtained amounted to approximately HK\$24.9 million (31 December 2023: HK\$20.8 million). Interest rates on the margin loan facilities range from 10% to 14% per annum.

As at 30 June 2024, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$16.2 million (31 December 2023: HK\$17.7 million), approximately HK\$403.4 million (31 December 2023: HK\$462.0 million) and approximately HK\$447.3 million (31 December 2023: HK\$513.3 million) respectively, representing a decrease of about 8%, 13% and 13% respectively as compared with that of 31 December 2023. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of about 9 times as at 30 June 2024 (31 December 2023: 9 times).

As at 30 June 2024, the total number of issued ordinary shares of the Company was 2,473,523,040 (31 December 2023: 2,473,523,040).

Charges on group assets

As at 30 June 2024, trading securities with fair value of approximately HK\$92.2 million (31 December 2023: HK\$95.2 million) were pledged with certain brokerage firms to obtain margin financing.

As at 30 June 2024, the property with fair value of approximately HK\$18.0 million were pledged for a loan of HK\$9 million from an independent money lender.

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 2024, majority of the Group's principal businesses were conducted and recorded in Hong Kong dollars with a part of the sales and marketing of 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 2024 and 31 December 2023, 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 2024, the Group's gearing ratio, expressed as total borrowings (being the margin loans, lease liabilities, other borrowing and liability portion of convertible bonds) over shareholders' equity, was approximately 7.7% (31 December 2023: 6.0%).

Significant investments held, their performance and future prospects

As at 30 June 2024, the Group held the following significant investment:

Financial assets held-for-trading

Included in the financial assets held-for-trading as at 30 June 2024 was the Group's investment in 56,216,000 shares or approximately 0.74% of Hao Tian International Construction Investment Group Limited (Stock Code: 1341) ("Hao Tian") with fair value of approximately HK\$45.0 million, which amounts to approximately 9% of the Group's total assets. Hao Tian and its subsidiaries are principally engaged in: (i) securities investment; (ii) provision of securities brokerage and financial services; (iii) asset management; (iv) rental and trading of construction machinery; (v) provision of repair and maintenance and transportation services; (vi) property development; and (vii) money lending. The investment cost was approximately HK\$29.1 million. During the six months ended 30 June 2024, its share price has decreased by approximately 6%. During the year ended 31 March 2024, their group recorded loss attributable to shareholders of approximately HK\$463 million, and no dividend was received from it. Hao Tian is a conglomerate with businesses diversified into different areas and is an excellent investment target. The Group was conservative about its future prospect and intends to hold the investment with an aim for long term capital growth.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

For the six months ended 30 June 2024, 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 2024, 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, nor 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 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Revenue	4	36,022	39,389
Other income	4	901	1,382
Other gain and losses, net	5	(41,155)	(90,127)
Impairment loss on accounts receivable, net		(20,303)	(28,666)
Staff costs	6	(20,789)	(33,927)
Commission expenses		(2,849)	(2,883)
Depreciation of property and equipment		(365)	(469)
Depreciation of right-of-use assets		(3,492)	(3,658)
Amortisation of other intangible assets		(143)	—
Finance costs	7	(1,876)	(1,884)
Other operating expenses		(11,800)	(12,901)
Share of result of an associate		(15)	50
		<hr/>	<hr/>
Loss before tax		(65,864)	(133,694)
Income tax expense	8	(77)	(14)
		<hr/>	<hr/>
Loss for the period		(65,941)	(133,708)
		<hr/>	<hr/>
Other comprehensive expenses for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		23	(48)
		<hr/>	<hr/>
Total comprehensive expenses for the period		<u>(65,918)</u>	<u>(133,756)</u>

		Six months ended 30 June	
		2024	2023
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(65,377)	(134,059)
Non-controlling interests		(564)	351
		<u>(65,941)</u>	<u>351</u>
		<u>(65,941)</u>	<u>(133,708)</u>
Total comprehensive expenses for the period attributable to:			
Owners of the Company		(65,361)	(134,090)
Non-controlling interests		(557)	334
		<u>(65,918)</u>	<u>334</u>
		<u>(65,918)</u>	<u>(133,756)</u>
Loss per share (HK cents)			
	10		
Basic and diluted		<u>(2.64)</u>	<u>(5.43)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-current assets			
Goodwill		7,630	7,630
Trading rights		–	–
Other intangible assets		4,144	4,287
Interest in an associate		823	838
Property and equipment		19,225	1,487
Statutory deposits		1,518	1,518
Rental and utility deposits		–	523
Right-of-use assets		3,678	7,170
Financial assets at fair value through profit or loss	12	–	12,700
Financial assets at fair value through other comprehensive income		<u>16,439</u>	<u>16,439</u>
		<u>53,457</u>	<u>52,592</u>
Current assets			
Inventories		693	1,339
Accounts receivable	11	301,738	312,861
Prepayments, deposits and other receivables		7,851	29,363
Financial assets at fair value through profit or loss	12	126,467	155,133
Deferred tax assets		–	143
Bank balances and cash		<u>16,189</u>	<u>17,721</u>
		<u>452,938</u>	<u>516,560</u>
Current liabilities			
Accounts payable	13	3,637	3,429
Accrued liabilities and other payables		16,998	23,204
Margin loan payables		24,866	20,838
Lease liabilities		<u>4,008</u>	<u>6,967</u>
		<u>49,509</u>	<u>54,438</u>
Net current assets		<u>403,429</u>	<u>462,122</u>
Total assets less current liabilities		<u>456,886</u>	<u>514,714</u>

		30 June 2024	31 December 2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		537	537
Other borrowing	14	9,000	–
Lease liabilities		–	895
		9,537	1,432
Net assets		447,349	513,282
Capital and reserves			
Share capital	15	1,810,848	1,810,848
Reserves		(1,362,507)	(1,297,131)
Equity attributable to owners of the Company		448,341	513,717
Non-controlling interests		(992)	(435)
Total equity		447,349	513,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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; (iii) insurance brokerage service; (iv) sales and marketing of digital assets; and (v) property investment.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2024 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 2023 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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Noncurrent
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised)
	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 period and prior years and/or on the disclosures set out in the condensed consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

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

None of these developments have had a material effect on the way the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue principally arises from the financial services business comprising (i) the provision of securities 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) provision of asset management services; (iii) provision of insurance brokerage services; (iv) sales and marketing of digital assets; and (v) property investment.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
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	2,143	2,558
– Underwriting, sub-underwriting, placing and sub-placing commission	178	900
– Arrangement, referral, advisory and other fee income	2,667	2,298
– Asset management	811	691
– Insurance brokerage	2,511	2,130
– Sales and marketing of digital assets	1,339	2,738
– Property investment	70	–
	9,719	11,315
Revenue from other sources		
– Interest income from clients	26,303	28,074
	36,022	39,389
Other income		
Interest income from authorised institutions	359	401
Interest income from convertible bonds	99	99
Other interest income	409	612
Government grants (<i>note</i>)	30	245
Sundry income	4	25
	901	1,382
Total income	36,923	40,771

Note: During the six months ended 30 June 2024, the Group recognised government grants in respect of COVID-19-related subsidies, of approximately HK\$30,000 (six months ended 30 June 2023: HK\$245,000) related to Hong Kong Institute of Human Resources 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.

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 seven (six months ended 30 June 2023: six) reportable segments under HKFRS 8 Operating Segments as follows:

- (i) the brokerage and financing segment engages in securities 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;
- (vi) the sales and marketing of digital assets segment engages mainly in earning commissions from facilitating the sale and marketing of digital assets in electronic platform; and
- (vii) the property investment segment engages in earning rentals from investment property.

The following tables represent revenue and results information of these operating segments for the six months ended 30 June 2024 and 2023.

Six months ended 30 June 2024 (Unaudited)

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Insurance brokerage HK\$'000	Proprietary trading HK\$'000	Digital assets HK\$'000	Property investment HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	28,624	2,667	811	2,511	-	1,339	70	36,022	-	36,022
Inter-segment sales	-	791	-	-	-	-	-	791	(791)	-
	<u>28,624</u>	<u>3,458</u>	<u>811</u>	<u>2,511</u>	<u>-</u>	<u>1,339</u>	<u>70</u>	<u>36,813</u>	<u>(791)</u>	<u>36,022</u>
Segment loss	<u>(6,170)</u>	<u>(1,556)</u>	<u>(279)</u>	<u>(198)</u>	<u>(44,679)</u>	<u>(1,826)</u>	<u>(3)</u>	<u>(54,711)</u>	<u>-</u>	<u>(54,711)</u>
Unallocated administrative costs										(11,138)
Share of result of an associate										<u>(15)</u>
Loss before tax for the period										<u><u>(65,864)</u></u>

Six months ended 30 June 2023 (Unaudited)

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Insurance brokerage HK\$'000	Proprietary trading HK\$'000	Digital assets HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	31,532	2,298	691	2,130	-	2,738	39,389	-	39,389
Inter-segment sales	<u>720</u>	<u>506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>(1,226)</u>	<u>-</u>
	<u>32,252</u>	<u>2,804</u>	<u>691</u>	<u>2,130</u>	<u>-</u>	<u>2,738</u>	<u>40,615</u>	<u>(1,226)</u>	<u>39,389</u>
Segment profit (loss)	<u>(25,574)</u>	<u>(4,905)</u>	<u>(1,058)</u>	<u>(156)</u>	<u>(87,022)</u>	<u>89</u>	<u>(118,626)</u>	<u>-</u>	<u>(118,626)</u>
Unallocated administrative costs									(8,718)
Fair value change on financial assets at fair value through profit or loss ("FVTPL")									(6,400)
Share of result of an associate									<u>50</u>
Loss before tax for the period									<u><u>(133,694)</u></u>

Segment profit or loss represents the profit earned by/loss from each segment, before the adjustments of unallocated administrative costs, fair value change on financial assets at FVTPL and share of result 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 2024, one single customer (six months ended 30 June 2023: one customer) 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 2024 and 2023. 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 GAIN AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net exchange loss	(19)	(26)
Fair value change of financial assets at FVTPL	–	(6,400)
Gain on disposal of property and equipment	230	–
Net realised and unrealised loss on financial assets held-for-trading	(41,366)	(83,701)
	<u>(41,155)</u>	<u>(90,127)</u>

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff commission	711	1,379
Salaries and wages	17,800	19,440
Staff welfare	1,151	1,282
Recruitment costs	4	6
Termination benefits	23	–
Provision of long service payment/annual leave benefits	79	15
Retirement benefits scheme contributions	422	424
Discretionary and performance related incentive payments and provision of gratuity	599	247
Equity-settled share option expense	–	11,134
	<u>20,789</u>	<u>33,927</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on:		
Bank overdrafts	–	8
Convertible bonds issued	–	344
Lease liabilities	149	248
Margin loan payables	1,727	1,284
	<u>1,876</u>	<u>1,884</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	–	71
Over provision in prior year		
PRC Enterprise Income Tax	(66)	–
Deferred tax	143	(57)
	<u>77</u>	<u>14</u>

9. DIVIDENDS

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(65,377)</u>	<u>(134,059)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and loss per share	<u>2,473,523</u>	<u>2,471,023</u>
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>2,473,523</u>	<u>2,471,023</u>

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

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since the exercise of the convertible bonds would result in a decrease in loss/increase in earnings per share for the six months ended 30 June 2024 and 2023. The computation of diluted loss per share does not assume the exercise of the Company's share options granted under the share option scheme since their exercise would result in decrease in loss per share for the six months ended 30 June 2024 and 30 June 2023.

11. ACCOUNTS RECEIVABLE

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>note a</i>):		
Clearing house	2,876	1
Rolling balance cash clients	76,982	48,994
	<u> </u>	<u> </u>
Less: Impairment loss	(15,223)	(5,021)
	<u> </u>	<u> </u>
	64,635	43,974
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services (<i>note b</i>)	4,774	4,185
Less: Impairment loss	(3,553)	(3,646)
	<u> </u>	<u> </u>
	1,221	539
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary course of business of money lending services (<i>note c</i>)	343,334	337,725
Less: Impairment loss	(173,795)	(171,748)
	<u> </u>	<u> </u>
	169,539	165,977
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary course of business of dealing in (<i>note d</i>):		
Securities transactions:		
Margin clients	115,950	142,266
Less: Impairment loss	(54,422)	(46,351)
	<u> </u>	<u> </u>
	61,528	95,915
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary course of asset management (<i>note e</i>)	4,496	5,917
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary course of insurance brokerage (<i>note f</i>)	125	225
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary business of sales and marketing of digital assets (<i>note g</i>)	124	314
	<u> </u>	<u> </u>
Accounts receivable arising from the ordinary business of property investment (<i>note h</i>)	70	–
	<u> </u>	<u> </u>
	301,738	312,861
	<u> </u>	<u> </u>

As at 30 June 2024, the gross amount of accounts receivable arising from contracts with customers amounted to approximately HK\$89,447,000 (31 December 2023: HK\$59,636,000).

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 on those under simplified approach with reference to past default experience of the accounts receivable, adjusted for factors that are specific to the accounts receivable, latest collateral valuation, general economic conditions and adjusted for factors that are specific to debtors 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. 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, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	5,470	7,665
31-90 days	5,872	11,524
Over 90 days	53,293	24,785
	64,635	43,974

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 30 days	87	131
31-90 days	129	159
Over 90 days	1,005	249
	1,221	539

- (c) As at 30 June 2024, accounts receivable arising from money lending services bear fixed-rate interest from 8% to 18% per annum (31 December 2023: 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 2024, accounts receivable with net carrying amount of approximately HK\$130 million (31 December 2023: HK\$119 million) were secured by the client's listed securities and properties.
- (d) The accounts receivable due from margin clients of approximately HK\$115,950,000 (31 December 2023: HK\$142,266,000) were secured by the clients' listed securities which carried a fair value of approximately HK\$92,373,000 (31 December 2023: HK\$190,095,000).

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 replighted 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\$88,292,000 (31 December 2023: HK\$62,374,000), which are not fully secured by the respective clients' listed securities, are considered impaired. An impairment of approximately HK\$54,421,000 (31 December 2023: HK\$46,151,000) 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 year as it became default to repay the outstanding balance for a period of time.

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

- (e) The settlement terms of accounts receivable arising from the ordinary course of business of asset management are normally due immediately from date of billing but the Group may grant a credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	120	22
31-90 days	368	33
Over 90 days	<u>4,008</u>	<u>5,862</u>
	<u>4,496</u>	<u>5,917</u>

- (f) The settlement terms of accounts receivable arising from the ordinary course of business of insurance brokerage are normally due immediately from date of billing but the Group may grant a credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	<u>125</u>	<u>225</u>

- (g) 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 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	<u>124</u>	<u>314</u>

- (h) The settlement terms of accounts receivable arising from the ordinary course of business of property investment are normally due immediately from date of billing but the Group may grant a credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)
Within 30 days	35
31-90 days	35
	<u>70</u>

12. FINANCIAL ASSETS AND FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Financial assets mandatorily measured at FVTPL	12,700	12,700
Listed equity securities listed in Hong Kong	113,767	155,133
	<u>126,467</u>	<u>167,833</u>
Analysed for reporting purpose:		
– Non-current assets	–	12,700
– Current assets	126,467	155,133
	<u>126,467</u>	<u>167,833</u>

13. ACCOUNTS PAYABLE

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house	1,254	493
Cash clients	1,373	587
Margin clients	46	33
	<u>2,673</u>	<u>1,113</u>
Accounts payable arising from:		
– insurance brokerage	119	1,022
– sales and marketing of digital assets	845	1,294
	<u>3,637</u>	<u>3,429</u>

Accounts payable to clearing house represent trades pending settlement arising from dealing in securities which are usually due within two trading days after the trade date.

The accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent pending settlement which are usually due within two trading days after the trade date or deposits received from clients for their securities dealing activities. Only the excessive amounts over the required deposits stipulated are repayable on demand.

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

14. OTHER BORROWING

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Other borrowing, secured	<u>9,000</u>	<u>–</u>
Carrying amount of the above borrowing is repayable (<i>note</i>)		
– More than two years, but not exceeding five years	<u>9,000</u>	<u>–</u>

Note: The amounts due are based on scheduled repayable dates set out in loan agreement.

As at 30 June 2024, the other borrowing amounted of HK\$9 million (31 December 2023: nil) is secured by an investment property locates in Hong Kong held by the Group. The borrowing carry interest rate at a fixed rate 13% per annum (31 December 2023: nil) and is repayable at maturity date on 3 June 2027.

15. SHARE CAPITAL

	Issued and fully paid Ordinary shares	
	Number of shares '000	Amount HK\$'000
At 1 January 2023	2,078,602	1,760,344
Issue of shares upon placing of shares (<i>note a</i>)	300,000	36,000
Transaction costs attributable to issue of shares by placement (<i>note a</i>)	—	(3)
Issue of shares upon conversion of convertible bonds (<i>note c</i>)	2,500	644
Issue of shares upon of acquisition of VC International Asset Management Limited (<i>note b</i>)	92,421	13,863
At 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	2,473,523	1,810,848

Notes:

- (a) With reference to the placing agreement (the “Placing Agreement”) disclosed in the Company’s announcement dated 21 February 2023, all the conditions precedent set out in the Placing Agreement have been satisfied or fulfilled and the completion took place on 14 March 2023. A total of 300,000,000 placing shares have been successfully placed to not less than six placees at the placing price of HK\$0.12 per placing share. The gross proceeds from the placing is HK\$36.0 million. The transaction cost amounted to approximately HK\$3,000.
- (b) With reference to the sale and purchase agreement (the “Sale and Purchase Agreement”) disclosed in the Company’s announcement dated 25 November 2022, the Company allotted and issued 92,421,442 consideration shares to the vendor for the settlement of the consideration in the amount of HK\$15 million at the issue price of HK\$0.1623 per consideration share. The fair value of the consideration shares was approximately HK\$13.9 million.
- (c) During the year ended 31 December 2023, certain portions of convertible bond were converted into 2,500,000 ordinary shares of the Company at the conversion price of HK\$0.2 per ordinary shares. As a result of the conversion, share capital has been increased by approximately HK\$644,000 and convertible bonds reserve has been decreased by approximately HK\$144,000. The new shares rank pari passu with the existing shares in all respects.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

During the six months ended 30 June 2024, 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 2024, 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 2024 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 2024.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's interim report for the six months ended 30 June 2024 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 four Executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Wong Kam Fat, Tony (Vice Chairman), Mr. Lin Hoi Kwong, Aristo and Ms. Li Cindy Chen; 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, 30 August 2024