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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 2023**

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 2023 (the “Reporting Year”) together with the audited comparative figures of the corresponding period in 2022.

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>76,138</b>	73,281
Loss attributable to owners of the Company	<b>(287,754)</b>	(178,091)
Loss per share (HK cents)		
Basic	<b>(12.05)</b>	(8.57)
Diluted	<b>(12.05)</b>	(8.57)
Final dividend per share (HK cents)	<b>Nil</b>	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 as well. 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; and (iii) sales and marketing of digital assets.

### **INDUSTRY OVERVIEW**

For the Reporting Year, the global economy slowed further due to interrelated challenges, including elevated inflation, monetary policy tightening by major central banks, and weak global trade and investment. During the Reporting Year, the US Federal Reserve raised interest rates by 25 basis points in February, March, May and July 2023, causing a ripple effect on financial markets. Data from the IMF indicated that global growth decelerated from 3.5% in 2022 to 3.0% in 2023, significantly below the average of 3.8% during 2000-2019.

While China achieved a 5.2% Gross domestic product ("GDP") growth during the Reporting Year, the country's economy continued to face persistent uncertainties and challenges. Both the labour and property markets displayed weaknesses, with property development investment declining by 9.6% year on year. The Shanghai Stock Exchange and Shenzhen Stock Exchange retained their status as the world's two largest IPO markets in 2023, while the China Securities Index 300 Index ("CSI 300 Index") registered an unprecedented third consecutive year of declines, slumping 11.8% to a position as one of the world's worst-performing stock indices.

The Hong Kong stock market also experienced a slow year in 2023. The Hang Seng Index, one of the worst-performing share indices in Asia-Pacific, recorded its fourth year of declines, falling 14% during the Reporting Year. Companies and investors alike exercised extra caution in the uncertain market environment, and Hong Kong's IPO market performance was sluggish, with only 73 initial public offerings ("IPOs") during the Reporting Year, down 19% on 2022, and raising a total of just HK\$46.3 billion, a drop of 56% from the previous year.

The prolonged stock market slump in Hong Kong triggered a new wave of shutdowns and layoffs at local brokerages. Around 30 local brokerages ceased operation during 2023. Small and medium-sized local brokerages, whose revenue comes mainly from trading commissions and margin business, bore the brunt of the overall market slump.

The above situation in the local securities market had negative impacts on the Group's operations. To mitigate risk, the Group has been actively seeking diversified business development opportunities and identifying new revenue growth drivers to expand its portfolio.

## **BUSINESS REVIEW**

Leveraging its financial prowess and extensive experience in the financial services industry throughout the Reporting Year, the Group continued to advance its traditional finance operations and provide high-quality services to its clients. Amid market volatility, in addition to maintaining the sound operation of its core brokerage and financing businesses, the Group also sought to achieve progress in its newly-acquired asset management operations, also in its insurance brokerage and digital asset businesses, and its unwavering business diversification efforts began to bear fruit. The expansion of these businesses contributed to a moderate rise in the Group's revenue as it also focused on cost control. However, due to a one-off share-based payment expense, devaluation in proprietary holding value and higher impairment losses on accounts receivable, the Group recorded a bigger loss during the Reporting Year than it did during the previous year.

The Group's principal revenue streams were derived from its traditional brokerage and financing operations, collectively contributing approximately 79% of its total revenue. During the Reporting Year, the Group maintained its provision of various financial services, including local and overseas securities trading, derivatives and trading in other structured products, placements, underwriting, and margin financing through VC Brokerage Limited ("VC Brokerage"). Additionally, the Group offered financing services through VC Finance Limited ("VC Finance"). The Group also took on the role of placing agent and underwriter for fundraising activities of Hong Kong-listed companies. It provided a range of financial and strategic advisory support services to clients, including offering corporate finance and other advisory services such as mergers and acquisitions advisory through VC Capital Limited ("VC Capital") and company secretarial services through VC Corporate Services Limited ("VCCS"). Due to market volatility and reflecting the financial market downturn, the Group's brokerage commissions, underwriting, sub-underwriting, placing and sub-placing commissions declined notably, alongside corporate finance and other advisory services, resulting in a reduction in segment revenue.

During the Reporting Year, following the completed acquisition of VC International Asset Management Limited ("VCIAM"; formerly known as "Anli Asset Management Limited") and Anli Investment Fund SPC ("AIF") in April, the Group observed an encouraging expansion in its asset management operations that began to generate revenue. The Group also continued to spearhead the expansion of its insurance brokerage services through Experts Management Limited, which possesses an insurance brokerage license and is authorised to participate in the long-term insurance market. Capturing the opportunities arising from the reopening of the Hong Kong and mainland China borders, the Group's senior management team proactively reached out and attracted more clientele from mainland China, and the Group's insurance brokerage segment began to generate revenue.

With regards to its proprietary trading business, the Group held financial assets for trading, comprising equity securities listed in Hong Kong, worth approximately HK\$155.1 million as of 31 December 2023, a 48% decrease in market value from the previous year against the backdrop of a poor performing equity market and bearish investor sentiment. During the Reporting Year, the Group held stocks mainly in industrials, which tumbled on weak corporate earnings. The Group generally invested in high-beta stocks whose volatility level was above that of the broader market, so the business segment faced fluctuations during the Reporting Year.

The Group's focus on diversification was in evidence, as was its proactive approach to adapting to ever-changing market dynamics and exploring emerging opportunities. By expanding sales and marketing efforts in digital assets segment, the Group sought to leverage the potential of the growing market and capitalise on increasing demand. Thanks to improved sales, the sales and marketing of digital assets business enjoyed a revenue increase during the Reporting Year.

### **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 the 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\$488 million), representing 44.5% shareholding in 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.

An application was made to the CSRC in October 2023 to retrieve the application for establishment of the PRC JV Company (the "Retrieval Application"). With the name of the PRC JV Company having disappeared from the relevant public domain of the PRC since December 2023, the Retrieval Application is considered to have been approved. VC Brokerage does not have to pay any money for, and does not have to bear any liability with respect to, the Retrieval Application.

### **Acquisition of VCIAM and 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 VCIAM 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 of 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. The transaction was completed on 3 April 2023.

Further details of the transaction are disclosed in the Company’s announcements dated 25 November 2022, 16 December 2022, 13 February 2023, 2 March 2023 and 3 April 2023 and the Company’s circular dated 14 February 2023.

### **Placing of new shares under general mandate**

On 14 March 2023, the Company successfully completed the placing of 300,000,000 new shares of the Company at issue price of HK\$0.12 per share through VC Brokerage as the placing agent (the “Placing”). The 300,000,000 placing shares represent (i) approximately 14.43% of the aggregated number of the Company’s issued shares immediately before the completion; and (ii) approximately 12.61% of the aggregated number of the Company’s issued shares as enlarged by the allotment and issue of the 300,000,000 placing shares. The gross proceeds of the Placing amounted to HK\$36.0 million. Further details of the Placing are set out in the Company’s announcements dated 21 February 2023 and 14 March 2023.

The net proceeds from the Placing were used as follows:

Period under review	Purpose of usage	Intended	Actual use of	Remaining	Expected
		use of	net proceeds	balance of	timeline for
		net proceeds	up to	unutilised	utilising the
		HK\$'000	31 December	net proceeds	unutilised
			2023	HK\$'000	net proceeds
Since completion of Placing on 14 March 2023	General working capital	20,200	20,200	–	N/A
	Potential investment opportunities	15,000	15,000	–	N/A
		35,200	35,200	–	
		35,200	35,200	–	

Details of the Group's business performance of each operating segment for the year ended 31 December 2023, together with the comparative figures of the corresponding period in 2022, are given in the section "FINANCIAL REVIEW" below.

#### **Placing of Convertible Bonds under General Mandate (the "Placing") – lapsed**

On 25 September 2023, the Company entered into a placing agreement (the "Placing Agreement") with VC Brokerage (the "Placing Agent"), pursuant to which the Company proposed to offer for subscription, and the Placing Agent agreed to procure subscriptions for the convertible bonds of the Company (the "Convertible Bonds") on a best effort basis on the terms and subject to the conditions set out in the Placing Agreement. The Placing Agent shall procure not less than six (6) places to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$81.6 million during the placing period. In the case of the conversion rights having been exercised in full at the initial conversion price of HK\$0.17 (subject to adjustment), a maximum of 480 million conversion shares to be allotted and issued by the Company, representing (i) approximately 19.43% of the existing total number of the Company's issued Shares as at the Company's announcement dated 25 September 2023; and (ii) approximately 16.27% of the total number of the Company's issued Shares as enlarged by the allotment and issue of the 480 million conversion shares.

Pursuant to the Company's announcement dated 19 January 2024, since the conditions precedent as set out in the Placing Agreement were not fully satisfied or fulfilled, the Placing Agreement lapsed and the Placing will not proceed.

## **Disposal of VC Financial Investment Holdings Limited**

On 8 December 2023, the Group completed disposed of the entire issued share capital of VC Financial Investment Holdings Limited which in turn wholly owned VC Asset Management Limited at cash consideration of HK\$6.4 million. Gain on disposal of approximately HK\$2.5 million was recorded accordingly.

## **OUTLOOK**

The IMF has forecast that global growth will reach 3.1% in 2024. The anticipated global economic outlook for the year is multifaceted, with various factors influencing the path of expansion. Notably, global growth has shown resilience despite remaining subdued. Additionally, global headline inflation is expected to fall gradually from an estimated 6.8% annual average in 2023 to 5.8% in 2024, contributing to a further easing of financial conditions.

China's economic activity in 2024 is expected to be impacted by structural headwinds and challenges such as increasing debt levels, an ageing and shrinking workforce, insufficient domestic demand, a prolonged property market downturn, and mounting geopolitical tensions. On a positive note, the Chinese government implemented a wide range of measures to encourage institutional and individual stock purchases in early 2024, in the hope of strengthening investor confidence and boosting the stock market. PricewaterhouseCoopers ("PwC") expects 200-240 A-share IPOs throughout the year, with expected fundraising ranging from RMB160-190 billion.

Predicting that the Hong Kong IPO market will gradually stabilise in 2024, PwC expects 80 companies to list in the territory, with total funds raised expected to exceed HK\$100 billion. Meanwhile, the Hong Kong government's commitment to boosting financial markets through expanding the Stock Connect scheme and deepening co-operation with Middle Eastern and ASEAN countries is expected to strengthen the investor base in Hong Kong and enhance liquidity and valuations. The city's capital markets are expected to stabilise amid a retreat of bearish sentiment and substantial demand for corporate financing.

In the financial services sector, the Group will continue to maintain its position as a comprehensive service provider. To further strengthen its market position, it plans to adopt strategic initiatives and allocate additional resources to the development of its asset management business, which is expected to achieve attractive returns for the Group in the near future. The Group recognises the value of leveraging the established reputations and management expertise of VCIAM and AIF, which can help it attract a broader range of clients and offer them a comprehensive suite of asset management services. To expedite the growth of its asset management business, the Group also intends to expand into private equity in 2024. In adopting business diversification and risk mitigation strategies, the Group will make every effort to accelerate the growth of its insurance brokerage and sales and marketing of digital assets businesses.

## FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's consolidated revenue was approximately HK\$76.1 million, which increased by about 4% as compared with the same period in 2022 of approximately HK\$73.3 million. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$287.8 million for the year ended 31 December 2023 compared to approximately HK\$178.1 million for the same period in 2022.

The loss in the Group's consolidated result attributable to shareholders in 2023 compared to 2022 was mainly attributable to (i) increase in impairment loss on accounts receivable of approximately HK\$127.4 million; (ii) increase in share-based payment expense of approximately HK\$11.1 million; but (iii) partially offset by the decrease of the net realised and unrealised loss on financial assets held-for-trading of approximately HK\$45.0 million.

To facilitate the review, the Group's revenue and segment information shown in Notes 3 and 4 to the consolidated financial statements is reproduced below after some rearrangements:

### Revenue Analysis

	2023		2022		Increase (decrease) %
	<i>HK\$'000</i>	Proportion of total revenue %	<i>HK\$'000</i>	Proportion of total revenue %	
Revenue from:					
Brokerage and Financing	<b>59,674</b>	<b>79%</b>	63,968	87%	(7%)
Brokerage commission and other related fees	<b>4,414</b>	<b>6%</b>	6,792	9%	(35%)
Underwriting, sub-underwriting, placing and sub-placing commission	<b>1,459</b>	<b>2%</b>	4,256	6%	(66%)
Interest income from brokerage clients	<b>19,507</b>	<b>26%</b>	14,051	19%	39%
Interest income from money lending clients	<b>34,294</b>	<b>45%</b>	38,869	53%	(12%)
Corporate Finance and Other Advisory Services	<b>4,813</b>	<b>6%</b>	7,001	10%	(31%)
Asset Management	<b>2,165</b>	<b>3%</b>	–	–	100%
Insurance Brokerage	<b>6,663</b>	<b>8%</b>	–	–	100%
Proprietary Trading	–	–	250	–	(100%)
Sales and Marketing of Digital Assets	<b>2,823</b>	<b>4%</b>	2,062	3%	37%
<b>Total revenue</b>	<b>76,138</b>	<b>100%</b>	<b>73,281</b>	<b>100%</b>	<b>4%</b>

## Segment Analysis

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Segment results:		
Brokerage and Financing	<b>(110,531)</b>	22,948
Corporate Finance and Other Advisory Services	<b>(5,788)</b>	(3,175)
Asset Management	<b>(630)</b>	(1,710)
Insurance Brokerage	<b>(274)</b>	(502)
Proprietary Trading	<b>(132,370)</b>	(173,725)
Sales and Marketing of Digital Assets	<b>(2,815)</b>	(8,198)
	<hr/>	<hr/>
Group segment loss	<b>(252,408)</b>	(164,362)
Gain on acquisition of financial assets at fair value through profit or loss	–	9,040
Fair value change on financial asset at fair value through profit or loss	<b>(5,400)</b>	500
Gain on disposal of subsidiaries	<b>2,437</b>	–
Unallocated administrative costs	<b>(38,287)</b>	(23,440)
Share of profit of an associate	<b>61</b>	96
	<hr/>	<hr/>
Loss before taxation	<b>(293,597)</b>	(178,166)
Income tax credit	<b>5,399</b>	74
	<hr/>	<hr/>
Loss for the year	<b>(288,198)</b>	(178,092)
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## **Brokerage and Financing**

During the year ended 31 December 2023, the Company, through 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 year ended 31 December 2023, the brokerage and financing businesses recorded total revenue of approximately HK\$59.7 million as compared with approximately HK\$64.0 million for the same period last year, representing a decrease of about 7%, and accounted for about 79% of the Group's total revenue.

### ***Brokerage service***

The Group's brokerage commission and other related fees from dealing in securities for the year ended 31 December 2023 amounted to approximately HK\$4.4 million, which was about 35% lower than that of 2022 of approximately HK\$6.8 million, and accounted for about 6% of the Group's total revenue. The Group's brokerage transactions recorded decrease with average daily trading turnover decreasing from approximately HK\$10.3 million in 2022 to that of 2023 of approximately HK\$5.9 million, being a decrease of about 43%.

### ***Financing***

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2023 increased by about 2% to approximately HK\$53.8 million from approximately HK\$52.9 million for the same period last year, and accounted for about 71% 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\$19.5 million for the year ended 31 December 2023, representing an increase of about 39% as compared to approximately HK\$14.1 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 23% for the year ended 31 December 2023 as compared with the same period last year. For the year ended 31 December 2023, there was an additional impairment loss of approximately HK\$43.4 million on brokerage client receivables (2022: HK\$1.1 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\$34.3 million for the year ended 31 December 2023, representing a decrease of about 12% as compared to approximately HK\$38.9 million for the same period last year. The decrease was mainly attributable to decrease of average loan portfolio of the money lending business by 31% in 2023 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 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.

### (II) Major terms of the loans granted

#### *Summary*

	<b>2023</b>	2022
Number of active loan accounts	<b>25</b>	24
Average loan amount	<b>HK\$13.5 million</b>	HK\$12.6 million
Percentage of amount of total loans and interest receivables from the largest customer	<b>10%</b>	9%
Percentage of amount of total loans and interest receivables from the largest 5 customers	<b>39%</b>	40%
Average duration	<b>8.5 months</b>	8.0 months
Interest rate range (per annum)	<b>8% to 18%</b>	8% to 18%

#### *Secured Loans*

Percentage of loans secured by collaterals including listed and unlisted equity securities and legal charge on properties ("Secured Loans")	<b>35%</b>	66%
Average duration	<b>9.2 months</b>	9.2 months
Interest rate range (per annum)	<b>12% to 18%</b>	12% to 18%

## *Unsecured Loans*

	<b>2023</b>	2022
Percentage of loans with no collateral (“Unsecured Loans”)	<b>65%</b>	34%
Average duration	<b>7.8 months</b>	6.9 months
Interest rate range	<b>8% to 18%</b>	8% to 18%

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 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.

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 loan receivables 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 loan receivables and are calculated as the allowance for ECL on loan receivables weighted by the probability of default accumulated over the entire life of the loan receivables.

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:

	<b>As at 31 December 2023 <i>HK\$'million</i></b>	<b>As at 31 December 2022 <i>HK\$'million</i></b>
Stage 1	<b>0.1</b>	0.5
Stage 2	<b>93.1</b>	21.7
Stage 3	<b>78.5</b>	56.1
<b>Total</b>	<b>171.7</b>	<b>78.3</b>

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 2023

	<b>No. of loans</b>	<b>Amount <i>HK\$'million</i></b>
Fully repaid during the year (1 loan)	N/A	(0.1)
Existing Stage 2 loans		
– With ECL impairment	13	75.9
– With ECL reversal	2	(0.5)
– No movement	1	–
Existing Stage 3 loans		
– With ECL impairment	2	18.0
– No movement	5	–
Newly granted Stage 1 loan		
– With ECL impairment	2	0.1
	<hr/>	<hr/>
Total	<u>25</u>	<u>93.4</u>

Analysis of significant impairment on certain customers for the year ended 31 December 2023 are presented below:

	<b>Impairment amount <i>HK\$'million</i></b>	<b>Detailed reasons for additional impairment</b>
Existing Stage 2 loans		
Customer A	20.6	No repayment despite repeated demands
Customer B	16.2	No repayment despite repeated demands
Customer C	11.6	Minimal repayment despite repeated demands
Customer D	6.9	Reduction in value of securities as collaterals
Customer E	4.7	No repayment despite repeated demands
Customer F	4.5	Reduction in value of securities as collaterals
Customer G	2.6	No repayment despite repeated demands
6 other customers	8.8	
	<hr/>	
	<u>75.9</u>	
Existing Stage 3 loan		
Customer H	10.4	Reduction in value of securities as collaterals and not responsive
Customer I	7.6	Reduction in value of securities as collaterals and not responsive
	<hr/>	
	<u>18.0</u>	

In summary, aggregate ECL impairment was approximately HK\$94.0 million (2022: HK\$30.0 million) while aggregate ECL reversal was approximately HK\$0.6 million (2022: HK\$22.2 million), resulting in net ECL impairment of approximately HK\$93.4 million (2022: HK\$7.8 million) during the year.

Loan by categories and their collaterals details were as below:

<b>Category of borrowers</b>	<b>Loan products</b>	<b>Number of loans</b>	<b>Receivables gross carrying amount</b> <i>HK\$'million</i>	<b>Interest rate range per annum</b>	<b>Collateral details</b>
Corporate	Term loan	3	56.8	15.6%-18%	Shares of certain listed companies
	Term loan	6	87.0	8%-18%	Nil
		<u>9</u>	<u>143.8</u>		
Individual	Term loan	1	17.8	18%	Landed properties in Hong Kong
	Term loan	4	44.6	12%-18%	Shares of certain listed companies
	Term loan	11	131.5	12%-18%	Nil
		<u>16</u>	<u>193.9</u>		
		<u>25</u>	<u>337.7</u>		

Maturity profile of the loans were as below:

	<b>Receivables gross carrying amount</b> <i>HK\$'million</i>	<b>No. of rollover times</b>
Matured	326.4	0-7
To be matured in 6 months	<u>11.3</u>	0
	<u><u>337.7</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.

The Company has complied with requirements set out in Chapter 14 of the Listing Rules when it granted or renewed loans to each of the borrowers. Renewal agreements were entered into with the borrowers in all renewal cases. To the best of the Directors' knowledge, information and belief based on internal records, the Company does not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrowers whose loans were still outstanding as at 31 December 2023.

The credit risk assessment of the unsecured loans was performed by the Company using an internal process with holistic consideration on background, financial resources, source of repayment and repayment history of the relevant borrowers and purpose of the loans. The Company's directors consider the terms of each of the unsecured loans are fair and reasonable and in the interests of the Company and its shareholders.

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 2023, the Group's placing and underwriting commission was approximately HK\$1.5 million as compared with approximately HK\$4.3 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 loss after tax of approximately HK\$110.5 million for the year ended 31 December 2023 as compared with a profit of approximately HK\$22.9 million for the same period last year. The deterioration of the performance in 2023 was mainly due to the substantial impairment in accounts receivables based the ECL model.

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

The Company through its indirect wholly owned subsidiary, VC Capital, provides corporate finance and other 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 2023, the Company's corporate finance and other advisory services recorded revenue and loss after tax of approximately HK\$4.8 million and HK\$5.8 million as compared with revenue of approximately HK\$7.0 million and loss after tax of approximately HK\$3.2 million for the same period last year, respectively.

### **Asset Management**

Following the completion of acquisition of VCIAM and AIF disclosed above, it immediately brings contribution to the Group's asset management segment. During the year ended 31 December 2023, the Group's asset management segment recorded revenue and loss after tax of approximately HK\$2.2 million (2022: Nil) and approximately HK\$0.6 million (2022: HK\$1.7 million), respectively. Following the reopen of borders which allows the Group's senior members visit potential clients in China, the Group is optimistic on asset management of providing solid results.

### **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 HK\$6.7 million (2022: Nil) with a loss after tax of approximately HK\$274,000 (2022: HK\$502,000).

## Proprietary Trading

As at 31 December 2023, the Group held equity securities listed in Hong Kong of approximately HK\$155.1 million (31 December 2022: HK\$300.6 million) as financial assets held-for-trading, which was stated at market value. The fair value of these listed equity securities represents about 30% of the Group's total assets as at 31 December 2023 (31 December 2022: 37%). A few securities with relatively heavy weights within the portfolio were not performing well during the year ended 31 December 2023, resulting in an overall loss during the year.

The Group invests mainly through purchases in the secondary market. The management follows strictly the internal securities investment policy and seeks the approval from the Board, when necessary, so as to enhance the financial returns to the shareholders and limit the risk exposure associated therewith. During the year ended 31 December 2023, there was net sale in securities investment of approximately HK\$129.3 million (2022: purchase of HK\$33.8 million).

For the year ended 31 December 2023, the Group recorded revenue of Nil (2022: HK\$250,000) from the proprietary trading business. The Group recognised net loss of approximately HK\$126.7 million (including a realised loss of approximately HK\$109.5 million and unrealised loss of approximately HK\$17.2 million) on the trading investments for the year ended 31 December 2023 as compared to approximately HK\$171.7 million (including realised loss of approximately HK\$14.2 million and unrealised loss of approximately HK\$157.5 million) for the same period in 2022.

Below is an analysis of the financial assets held-for-trading held by the Group as at 31 December 2023:

<b>Industries</b>	<b>Market value as at 31 December 2023 <i>HK\$' million</i></b>	<b>Percentage to the Group's total assets</b>	<b>Unrealised gain (loss) for the year ended 31 December 2023 <i>HK\$' million</i></b>
Energy	15.4	2.7%	2.6
Information technology	11.3	2.0%	(40.3)
Consumer goods and services	33.2	5.8%	(14.1)
Financials	20.0	3.5%	(5.3)
Industrials	74.4	13.1%	45.7
Construction	0.8	0.2%	(5.8)
	<u>155.1</u>	<u>27.3%</u>	<u>(17.2)</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 2023 was in line with the plummet of global capital market. Overall, the Group's proprietary trading business recorded loss after tax of approximately HK\$132.4 million for the year ended 31 December 2023 (2022: HK\$173.7 million).

### **Sales and Marketing of Digital Assets**

During the year ended 31 December 2023, the Group recorded gross merchandise value and revenue of approximately HK\$288.5 million and HK\$2.8 million (2022: HK\$363.1 million and HK\$2.1 million) and with a loss after tax of approximately HK\$2.8 million (2022: HK\$8.2 million) respectively. The decrease of the loss was due to the absence of set-up research administrative cost and professional fee expenses incurred in 2023.

### **Unallocated administrative costs**

For the year ended 31 December 2023, the unallocated administrative costs amounted to approximately HK\$38.3 million as compared with approximately HK\$23.4 million for the same period last year, which mainly included the unallocated corporate operating expenses. The increase in the unallocated administrative costs of approximately HK\$14.9 million in 2023 was mainly attributable to the unallocated share-based payment expense and corporate staff cost.

### **Income tax credit**

For the year ended 31 December 2023, the Group recognised income tax credit of approximately HK\$5.4 million (2022: HK\$74,000) which included current tax expenses of approximately HK\$71,000, overprovision of approximately HK\$3.9 million and deferred tax credit of approximately HK\$1.5 million (2022: underprovision of approximately HK\$31,000 and deferred tax expenses of HK\$105,000). The current tax expenses in 2023 was made for the provision of PRC Enterprise Income Tax charge in relation to the profitability generated from the digital assets business. The deferred tax (credit) expenses was recognised mainly in relation to the convertible bonds issued by the Company.

### **Finance costs**

For the year ended 31 December 2023, the finance costs of the Group amounted to approximately HK\$3.8 million (2022: HK\$3.2 million), out of which approximately HK\$0.6 million (2022: HK\$0.6 million) was incurred pursuant to the effective interest expense of convertible bonds issued by the Company during the year ended 31 December 2023, 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 2023, the Group employed a total of 74 employees (31 December 2022: 72), which excluded 12 self-employed account executives for brokerage services and asset management services (31 December 2022: 9), and 64 and 10 (31 December 2022: 60 and 12) 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\$55.2 million and HK\$2.2 million respectively for the year ended 31 December 2023 as compared with approximately HK\$40.9 million and HK\$2.2 million respectively for the same period last year. The increase in the salaries and staff benefits costs of approximately HK\$14.3 million in 2023 was mainly attributable to the (i) share based payment of approximately HK\$11.1 million pursuant to share options granted on 31 January 2023; and (ii) the staff newly employed by VCIAM and AIF.

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 2023, 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 2023, bank balances and cash were denominated in Hong Kong dollars and Renminbi as to approximately HK\$15.1 million and HK\$2.3 million (2022: HK\$29.8 million and HK\$2.2 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 2023.

As at 31 December 2023, the Group obtained margin financing facilities from certain brokerage firms in the amount of HK\$18.5 million (2022: HK\$17.0 million) and margin loans obtained amounted to approximately HK\$20.8 million (2022: HK\$18.5 million).

As at 31 December 2023 and 2022, the Group did not hold any banking facilities.

As at 31 December 2023, the Group's bank balances and cash, net current assets and total equity (other than clients' segregated accounts) amounted to approximately HK\$17.7 million (31 December 2022: HK\$32.3 million), HK\$462.1 million (31 December 2022: HK\$693.0 million) and HK\$513.3 million (31 December 2022: HK\$747.7 million) respectively, representing decrease of about 45%, 33% and 31% respectively as compared with that of 31 December 2022. Current ratio, expressed as current assets over current liabilities, was at about 9 times as at 31 December 2023 (31 December 2022: 13 times).

As at 31 December 2023, the total numbers of issued ordinary shares of the Company were 2,473,523,040 (31 December 2022: 2,078,601,598).

### **Charges on group assets**

As at 31 December 2023, trading securities with fair value of approximately HK\$95.2 million (31 December 2022: HK\$73.0 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 2023, majority of the Group's principal businesses were conducted and recorded in Hong Kong dollars with the 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 2023 and 31 December 2022, 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 2023, the Group's gearing ratio, expressed as total borrowings (being the margin loans, lease liabilities and liability portion of convertible bonds) over total equity, was approximately 6% (31 December 2022: 5%).

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

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

Included in the financial assets held-for-trading as at 31 December 2023 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\$58.5 million, which amounts to approximately 10% 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 year ended 31 December 2023, its share price has increased by approximately 241%. During the year ended 31 March 2023, their group recorded profit attributable to shareholders of approximately HK\$108 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 optimistic 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**

Save as completion of the acquisition of VCIAM and AIF and disposal of VC Financial Investment Holdings Limited 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 2023.

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

As at 31 December 2023 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.

On 16 March 2023, Astral Wealth Limited, an indirect wholly-owned subsidiary of the Company, entered into an exclusivity agreement conditionally for purchase and sell the entire portfolio of issued shares in and assignment of director's loan of an independent third party which is the sole registered and beneficial owner of a property with cash consideration of HK\$18.0 million. As at the date hereof, deposit of HK\$16.0 million was paid during the year ended 31 December 2023. The completion date of the transaction has been extended to be on or before 30 April 2024.

Meanwhile, as at 31 December 2023, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment.

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

*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Revenue	3	<b>76,138</b>	73,281
Other income	3	<b>2,446</b>	3,168
Other gains or losses, net	5	<b>(129,018)</b>	(162,306)
Impairment losses on accounts receivable, net		<b>(137,586)</b>	(10,212)
Impairment losses on goodwill		<b>(694)</b>	–
Reversal of impairment losses on other receivables, net		–	5,123
Staff costs		<b>(57,417)</b>	(43,062)
Commission expenses		<b>(7,766)</b>	(3,019)
Depreciation of property and equipment		<b>(906)</b>	(1,018)
Depreciation of right-of-use assets		<b>(7,150)</b>	(7,055)
Amortisation of other intangible assets		<b>(215)</b>	–
Finance costs		<b>(3,766)</b>	(3,236)
Other operating expenses		<b>(27,724)</b>	(29,926)
Share of profit of an associate		<b>61</b>	96
		<hr/>	<hr/>
Loss before tax	6	<b>(293,597)</b>	(178,166)
Income tax credit	8	<b>5,399</b>	74
		<hr/>	<hr/>
Loss for the year		<b>(288,198)</b>	(178,092)
 Other comprehensive expenses 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		<b>(6,153)</b>	(581)
Exchange differences on translation of foreign operations		<b>(90)</b>	(571)
		<hr/>	<hr/>
Total comprehensive expenses for the year		<b>(294,441)</b>	(179,244)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Loss for the year attributable to:			
Owners of the Company		<b>(287,754)</b>	(178,091)
Non-controlling interests		<u>(444)</u>	<u>(1)</u>
		<b><u>(288,198)</u></b>	<b><u>(178,092)</u></b>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		<b>(293,994)</b>	(179,262)
Non-controlling interests		<u>(447)</u>	<u>18</u>
		<b><u>(294,441)</u></b>	<b><u>(179,244)</u></b>
Loss per share (HK cents)	9		
Basic		<b>(12.05)</b>	(8.57)
Diluted		<b><u>(12.05)</u></b>	<b><u>(8.57)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Goodwill		7,630	2,016
Trading rights		–	–
Other intangible assets		4,287	1,246
Interest in an associate		838	777
Property and equipment		1,487	2,275
Statutory deposits		1,518	1,518
Rental and utility deposits		523	1,608
Right-of-use assets		7,170	8,775
Financial assets at fair value through profit or loss		12,700	18,100
Financial assets at fair value through other comprehensive income		16,439	22,592
Deferred tax assets		143	–
		<b>52,735</b>	58,907
<b>Current assets</b>			
Inventories		1,339	713
Accounts receivable	10	312,861	394,081
Prepayments, deposits and other receivables		29,363	22,296
Financial assets at fair value through profit or loss		155,133	300,595
Bank balances and cash		17,721	32,309
		<b>516,417</b>	749,994
<b>Current liabilities</b>			
Accounts payable	11	3,429	5,235
Accrued liabilities and other payables		23,204	18,162
Margin loan payable		20,838	18,470
Convertible bonds		–	5,912
Lease liabilities		6,967	5,308
Tax payable		–	3,952
		<b>54,438</b>	57,039
<b>Net current assets</b>		<b>461,979</b>	692,955
<b>Total assets less current liabilities</b>		<b>514,714</b>	751,862

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	537	97
Lease liabilities	895	4,115
	<u>1,432</u>	<u>4,212</u>
<b>Net assets</b>	<u><u>513,282</u></u>	<u><u>747,650</u></u>
<b>Capital and reserves</b>		
Share capital	1,810,848	1,760,344
Reserves	(1,297,131)	(1,012,706)
<b>Equity attributable to owners of the Company</b>	513,717	747,638
<b>Non-controlling interests</b>	<u>(435)</u>	<u>12</u>
<b>Total equity</b>	<u><u>513,282</u></u>	<u><u>747,650</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 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 new and 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 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give to equal taxable and deductible temporary difference, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax assets (provided that sufficient taxable profit is available) and a deferred tax liability for temporary difference arising from these transactions. The amendments shall be applied to transactions related leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The application of the amendments has had no material impact on the financial performance and positions of the Group, but has affected the disclosures of accounting policies.

### ***Amendments to HKFRSs issued but not yet effective***

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
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 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company 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, brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, mergers and acquisitions services, and corporate finance and other related advisory services; (ii) proprietary trading; (iii) asset management; (iv) insurance brokerage service; and (v) sales and marketing of digital assets.

#### Revenue

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major services lines		
– Brokerage commission and other related fees from dealing in securities	4,414	6,792
– Underwriting, sub-underwriting, placing and sub-placing commission	1,459	4,256
– Asset management	2,165	–
– Arrangement, referral, advisory and other fee income	4,813	7,001
– Insurance commission income	6,663	–
– Sales and marketing of digital assets	2,823	2,062
	<u>22,337</u>	<u>20,111</u>
<b>Revenue from other sources</b>		
– Interest income from clients	53,801	52,920
– Dividend income from listed equity securities classified as financial assets at fair value through profit or loss (“FVTPL”)	–	250
	<u>53,801</u>	<u>53,170</u>
	<u>76,138</u>	<u>73,281</u>

#### Disaggregation of revenue from contracts with customers by timing of recognition

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
At a point in time	15,685	13,488
Over time	6,652	6,623
	<u>22,337</u>	<u>20,111</u>

**Other income**

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from authorised institutions	<b>877</b>	120
Other interest income	<b>1,099</b>	829
	<hr/>	<hr/>
Total Interest income	<b>1,976</b>	949
Government grants ( <i>note</i> )	<b>430</b>	2,192
Sundry income	<b>40</b>	27
	<hr/>	<hr/>
	<b>2,446</b>	3,168
	<hr/> <hr/>	<hr/> <hr/>

*Note:* During the year 31 December 2023, the Group recognised government grants of nil (2022: HK\$1,480,000) related to Employment Support Scheme in respect of COVID-19-related subsidies and HK\$430,000 (2022: HK\$552,000) 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 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 2023 and 2022.

### Year ended 31 December 2023

	Brokerage and financing <i>HK\$'000</i>	Corporate finance and other advisory services <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Digital assets <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	59,674	4,813	2,165	6,663	-	2,823	76,138	-	76,138
Intersegment sales	720	922	-	-	-	-	1,642	(1,642)	-
	<u>60,394</u>	<u>5,735</u>	<u>2,165</u>	<u>6,663</u>	<u>-</u>	<u>2,823</u>	<u>77,780</u>	<u>(1,642)</u>	<u>76,138</u>
Segment losses	(110,531)	(5,788)	(630)	(274)	(132,370)	(2,815)	(252,408)	-	(252,408)
Unallocated administrative costs									(38,287)
Fair value change on financial asset at FVTPL									(5,400)
Gain on disposal of subsidiaries									2,437
Share of profit of an associate									61
Loss before tax									<u>(293,597)</u>

### Year ended 31 December 2022

	Brokerage and financing <i>HK\$'000</i>	Corporate finance and other advisory services <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Digital assets <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment 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)	22,948	(3,175)	(1,710)	(502)	(173,725)	(8,198)	(164,362)	-	(164,362)
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									<u>(178,166)</u>

## 5. OTHER GAINS OR LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net exchange loss	(1)	(135)
Gain on acquisition of financial assets at FVTPL	–	9,040
Fair value change of financial assets at FVTPL	(5,400)	500
Gain on disposal of subsidiaries	2,437	–
Net realised and unrealised loss on financial assets held-for-trading	(126,663)	(171,711)
Others	609	–
	<u>(129,018)</u>	<u>(162,306)</u>

## 6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Included in other operating expenses:		
Auditor's remuneration	1,694	1,707
Depreciation of property and equipment	906	1,018
Depreciation for right-of-use assets	7,150	7,055
Entertainment and travel expenses (mainly incurred for business development)	6,652	7,902
	<u>6,652</u>	<u>7,902</u>

## 7. DIVIDENDS

No dividends was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

## 8. INCOME TAX CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	(71)	–
Overprovision (underprovision) in prior year		
Hong Kong Profits Tax	3,952	(31)
	<u>3,881</u>	<u>(31)</u>
Deferred tax	1,518	105
	<u>5,399</u>	<u>74</u>

## 9. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(287,754)</u>	<u>(178,091)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,388,954</u>	<u>2,078,602</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>2,388,954</u>	<u>2,078,602</u>

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 for the years ended 31 December 2023 and 2022. The computation of diluted loss per share does not assume exercise of Company's options since their exercise would result in a decrease in loss per share for the years ended 31 December 2023 and 2022.

## 10. ACCOUNTS RECEIVABLE

	2023 <i>HK\$'000</i>	2022 <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	1
Cash clients	48,994	5,932
Less: impairment loss	<u>(5,021)</u>	<u>–</u>
	<u>43,974</u>	<u>5,933</u>
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services ( <i>note b</i> )	4,185	6,715
Less: Impairment loss	<u>(3,646)</u>	<u>(2,945)</u>
	<u>539</u>	<u>3,770</u>
Accounts receivable arising from the ordinary course of business of money lending services ( <i>note c</i> )	337,725	301,381
Less: Impairment loss	<u>(171,748)</u>	<u>(78,362)</u>
	<u>165,977</u>	<u>223,019</u>
Accounts receivable arising from the ordinary course of business of dealing in ( <i>note d</i> ):		
Securities transactions:		
Margin clients	142,266	169,158
Less: Impairment loss	<u>(46,351)</u>	<u>(7,873)</u>
	<u>95,915</u>	<u>161,285</u>
Accounts receivable arising from ordinary course of asset management ( <i>note e</i> )	5,917	–
Accounts receivable arising from ordinary course of insurance brokerage ( <i>note f</i> )	225	–
Accounts receivable arising from the ordinary business of sales and marketing of digital assets ( <i>note g</i> )	<u>314</u>	<u>74</u>
	<u><u>312,861</u></u>	<u><u>394,081</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. 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:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>7,665</b>	1,403
31 – 90 days	<b>11,524</b>	3,028
Over 90 days	<b>24,785</b>	1,502
	<u><b>43,974</b></u>	<u>5,933</u>

- (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:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>131</b>	203
31 – 90 days	<b>159</b>	486
Over 90 days	<b>249</b>	3,081
	<u><b>539</b></u>	<u>3,770</u>

- (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 money lending services.

(d) 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.

(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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>22</b>	–
31 - 90 days	<b>33</b>	–
Over 90 days	<b>5,862</b>	–
	<u><b>5,917</b></u>	<u>–</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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>225</b>	–
	<u><b>225</b></u>	<u>–</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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>314</b>	74
	<u><b>314</b></u>	<u>74</u>

## 11. ACCOUNTS PAYABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts payable arising from dealing in securities ( <i>note a</i> ):		
Clearing house	493	2,780
Cash clients	587	238
Margin clients	33	785
	<u>1,113</u>	<u>3,803</u>
Accounts payable arising from insurance brokerage ( <i>note b</i> )	1,022	–
Accounts payable arising from sales and marketing of digital assets ( <i>note c</i> )	1,294	1,432
	<u>3,429</u>	<u>5,235</u>

- (a) 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.
- (b) The settlement terms of accounts payable arising from the ordinary course of business of insurance brokerage are normally due immediately upon presentation of statements. The aging analysis of this payable based on the statement dates is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	<u>1,022</u>	<u>–</u>

- (c) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	<u>1,294</u>	<u>1,432</u>

## 12. EVENTS AFTER REPORTING PERIOD

As more fully explained in the Company's announcements dated 22 February 2024 and 13 March 2024, the Company is desirous of carrying out certain transactions including (i) placing of new shares under general mandate; (ii) acquisition of certain equity interest in a PRC natural gas company by issuing consideration convertible bonds under general mandate; and (iii) placing of convertible bonds under specific mandate.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 2023, 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 2023 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 2023.

## **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 2023 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 2023, 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](http://www.hkexnews.hk) and the website of the Company at [www.vcgroup.com.hk](http://www.vcgroup.com.hk). The Company's Annual Report for the year ended 31 December 2023 (the "2023 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 2023 will be held in June 2024. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2023 Annual Report in due course, which will also be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.vcgroup.com.hk](http://www.vcgroup.com.hk).

## **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  
28 March 2024