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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 2017

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 2017 together with the audited comparative figures of the corresponding period in 2016.

FINANCIAL HIGHLIGHTS

The Group’s consolidated revenue for the year ended 31 December 2017 amounted to approximately HK\$53.7 million, which decreased by about 5% as compared with the same period in 2016.

The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$67.5 million for the year ended 31 December 2017 against a loss of approximately HK\$56.7 million for the same period in 2016, representing an increase of about 19%.

CHAIRMAN’S STATEMENT

The local stock market rallied in 2017. Thanks to both the global and Mainland economic growth throughout 2017. Global investors reacted positively to the improving global outlook despite the interest rate normalisation in the US and various policy and political uncertainties in the US and Europe. The Mainland economy had also performed promising in 2017, boosted by an improved outlook for global growth and demand for Chinese goods and services. The continuation of the internationalization of the RMB, the “going-out” of Mainland, as well as the Belt and Road Initiative have brought forth extensive investment opportunities. It is expected that the local growth momentum will be continued in 2018.

Although the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors’ sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group’s core businesses in (i) provision of financing services including brokerage and financing services, corporate finance and other advisory services, and asset management; and (ii) proprietary trading. The Group’s business strategies continue to include enlarging the Group’s revenue base through fostering its core businesses, and tapping into new emerging markets with expanded business initiatives. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders’ value.

While the Group is still waiting for the approval and authorisation from the relevant regulatory authorities in relation to the establishment of the joint venture securities company in Guangxi, The People’s Republic of China (the “**PRC**”), which is expected to become a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC, the Group continues to explore other business and investment opportunities.

During the year of 2017, the Company entered into a legally binding memorandum of understanding with an independent third party in relation to the proposed formation of a joint venture company to act as a sponsor to a limited partnership fund which will focus on infrastructure projects. Meanwhile, the Company acquired from a private company a 3-year two per cent. unsecured redeemable convertible bonds in the principal amount of HK\$153,585,000 issued by China Fortune Financial Group Limited (Stock Code: 290). The Board of the Company believes those corporate actions represent suitable investment opportunities for the Group and are expected to broaden the income stream of the Group.

The Group's financial position had continuously been strengthened in 2017, in which a total net cash proceeds of approximately HK\$117.1 million was received through the placement of 132 million new shares of the Company to certain placees who are independent parties. The increase of financial resources definitely not only helps the Group to reinforce and expand the existing core businesses, but also broadens the Group's shareholders' portfolio and enhances the Group's flexibility in future business developments or investments as and when opportunities arise. I believe that with a sound financial base, the Group is in a better position to seize any opportunities that to deliver greater returns for our shareholders.

Looking ahead, the Group's operating environment is expected to remain challenging in 2018. It is expected that global stock markets will still be influenced by various uncertain economic and political factors. Nevertheless, our strategies remain unchanged - enlarge our revenue base by strengthening the existing core businesses, tap into new emerging markets with expanded business initiatives and explore business opportunities in the PRC. The Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond.

In closing, on behalf of my fellow Directors, I wish to express our sincere appreciation and wholehearted gratitude to the management team and all staff of the Group for their professional dedication, hard work, commitment and contributions throughout the year. I would also like to extend our sincere thanks to our shareholders and stakeholders for their confidence and continuous support to the Group throughout the year. We will continue to put efforts in creating greater value for our shareholders and investors.

Fu Yiu Man

Chairman & Executive Director

Hong Kong
27 March 2018

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. The Group's expertise includes (i) provision of financial services comprising securities, futures and options brokering and dealing, financing services, corporate finance and other advisory services, and asset management; and (ii) proprietary trading.

BUSINESS REVIEW

Hong Kong as an international financial center was inevitably affected by the continual uncertainties and challenges in the global economy. In 2017, the global investors reacted positively to the improving global and the Mainland economic outlook. Though the downturn in the local capital market continued in January 2017, the local investors' sentiment had improved subsequently and the local stock market experienced steady growth throughout the year. This was fully reflected in the movements of the local stock market's average daily trading turnover, market capitalization and other various key market indices in 2017.

The local stock market remained sluggish in January 2017 in which the average daily trading turnover was down to approximately HK\$57.2 billion. It had grown more vibrant thereafter. The average daily trading turnover in the second half of 2017 had reached approximately HK\$100.1 billion, representing an increase of about 32% as compared to that of the first half of 2017. Overall, the local stock market's average daily trading turnover had improved with approximately HK\$88.2 billion in 2017 as compared to approximately HK\$66.9 billion for the same period in 2016, representing an increase of about 32%. Meanwhile, the total market capitalization recorded approximately HK\$33,998.8 billion at the end of 2017, representing an increase of about 37% as compared with the end of 2016. Further, the Hang Seng Index (the "HSI") also gradually grew up and recorded an increase of about 36% in 2017, in which the HSI closed at 29,919 at the end of 2017. As the local market sentiments improved, fund raising activities also increased. The local fund raised amount was approximately HK\$579.9 billion in 2017, which was about 18% higher than that of the same period in 2016.

As a financial services provider, the business performance of the Group is certainly impacted by both the global and local economic and market conditions. Nevertheless, the Group always thrived on its solid financial standing and its various investment services and products offered to our clients. All of these consolidated the Group as a competitive player in the financial industry. While the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group's core businesses in provision of financial services including (i) securities, futures and options brokering and dealing, and financing services (including local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, placement and underwriting, margin financing and

money lending, etc.); (ii) corporate finance and other advisory services (including mergers and acquisitions and company secretarial services to clients, etc.); and (iii) asset management; and proprietary trading. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders' value.

In July 2016, the Company announced that VC Brokerage Limited (“**VC Brokerage**”), an indirectly wholly owned subsidiary of the Company, entered into a joint venture agreement (the “**Joint Venture Agreement**”) with three independent third parties to establish a joint venture securities company in Guangxi, the PRC (the “**PRC JV Company**”). Subject to the approval by China Securities Regulatory Commission (the “**CSRC**”), the PRC JV Company is expected to be a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC. Pursuant to the Joint Venture Agreement, VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$525 million), representing 44.5% shareholding in the PRC JV Company.

The Company will finance the investment in the PRC JV Company by placing of convertible bonds in the aggregate principal amount of up to HK\$850 million (the “**Convertible Bonds**”) at an initial conversion price of HK\$0.65 each pursuant to a placing agreement entered into at the same time. The aggregate net proceeds from placing of the Convertible Bonds will be approximately HK\$829 million, which is intended to use for capital contribution to the PRC JV Company and the remaining balance is intended to use for expanding the Group's existing businesses and other possible investments in the future, when opportunities arise. This investment definitely not only strengthen the Group's financial position and prospects, but provide a stepping stone to the Group for entering into and developing of the PRC market.

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

During the year ended 31 December 2017, the following corporate actions had been taken by the Company with an aim to strengthen the Group's financial position and prospects, hence, enhance the shareholders' value:

- (i) On 28 July 2017, the Company entered into a placing agreement with VC Brokerage as the placing agent regarding the placement of, on a best effort basis, up to an aggregate of 132 million new shares of the Company (the “**Placing Share(s)**”) to not less than six independent parties at a placing price of HK\$0.91

per Placing Share. The placing price represented a discount of about 19.47% to the closing market price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 July 2017, i.e. date of the placing agreement. The placement was completed on 18 August 2017 and a total of 132 million Placing Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 25 May 2017. The net proceeds from the placement amounted to approximately HK\$117.1 million and the net placing price per Placing Share was approximately HK\$0.887. The 132 million Placing Shares rank pari passu with other shares of the Company in issue in all respects.

The Company intends to use the net proceeds from the placement for (a) the general working capital of the Group; (b) expanding the Group's proprietary trading, brokerage and financing and corporate finance businesses; and (c) possible investment(s) in the future when opportunities arise. The Directors are of the view that the placement not only broadens the shareholders' portfolio, but also strengthens the financial position of the Group. Details of the placement had been disclosed in the Company's announcements dated 28 July 2017, 4 August 2017 and 18 August 2017.

- (ii) On 22 September 2017, the Company entered into a legally binding memorandum of understanding (the "**MOU**") with an independent third party (the "**Party**") in relation to the proposed formation of a joint venture company (the "**JV Company**") to act as a sponsor to a limited partnership fund (the "**Fund**") which will focus on infrastructure projects (the "**Proposed Joint Venture**"). The MOU is subject to the parties entering into formal agreements to set out the definitive terms of the Proposed Joint Venture (the "**Definitive Agreements**"). The Company shall have the right to acquire no less than 5% of the entire issued share capital of the JV Company. The initial cost required for the setting up of the JV Company and the Fund (the "**Organisation Expenses**") shall be borne equally between the Company and the Party, provided that in any event, the Company's provision of the initial cost shall be limited to HK\$7.5 million. As at 31 December 2017, the Company paid an amount of HK\$5 million for the Organisation Expenses. Details of the transaction had been disclosed in the Company's announcement dated 22 September 2017.
- (iii) On 18 October 2017, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Pacific Alliance Limited ("**PAL**") as vendor, pursuant to which the Company agreed to purchase, and PAL agreed to sell, the 3-year two per cent. unsecured redeemable convertible bonds in the principal amount of HK\$153,585,000 issued by China Fortune Financial Group Limited ("**China Fortune**", Stock Code: 290) on 30 March 2017 (the "**China Fortune Convertible Bonds**") for an aggregate consideration of HK\$400,000,000 (the "**Acquisition**"). The consideration of HK\$40,000,000 will be satisfied in cash and the balance of the consideration of HK\$360,000,000 will be satisfied by way

of issue of the convertible bonds by the Company (the “**VC Convertible Bonds**”) at the completion date of the Acquisition. The China Fortune Convertible Bonds are convertible into 2,559,750,000 conversion shares at the initial conversion price of HK\$0.06 per conversion share (subject to adjustments), which representing approximately 26.54% of the enlarged issued share capital of China Fortune as at the date of this announcement. The VC Convertible Bonds is a 3-year zero interest unsecured redeemable convertible bonds in the principal amount of HK\$360,000,000, which are convertible into 288,000,000 conversion shares at the initial conversion price of HK\$1.25 per conversion share (subject to adjustments), which representing approximately 26.60% of the enlarged issued share capital of the Company as at the date of this announcement.

One of the Group’s principal businesses is proprietary trading including the trading of equity securities. Taking an optimistic view of the prospect of the financial services industry in Hong Kong and the PRC, the Group intends to hold the China Fortune Convertible Bonds for trading purposes with a view to achieve capital gains through disposal of the China Fortune Convertible Bonds or the conversion shares of the China Fortune Convertible Bonds. The transaction had been approved by the shareholders of the Company during the extraordinary general meeting held on 27 December 2017 and completed on 8 January 2018. Details of the transaction had been disclosed in the Company’s announcements dated 18 October 2017, 27 December 2017 and 8 January 2018; and the Company’s circular dated 7 December 2017.

Details of the Group’s business performance of each operating segment for the year ended 31 December 2017, together with the comparative figures of the corresponding period in 2016, are given in the section “**FINANCIAL REVIEW**” below.

OUTLOOK

Looking ahead, the Group’s operating environment looks promising in 2018. It is expected that the positive market sentiments of the local stock market will persist as both the global and Mainland economic growth are optimistic about the year ahead. However, investors are reminded to watch the capital market closely and avoid taking excessive risks. The global stock markets would still be influenced by various uncertain economic and political factors such as the US interest rate normalisation, negotiation process for the British’s formal exit from the European Union and possible US and European policy changes. Given Hong Kong economy is highly external-oriented, it certainly cannot escape the global economic volatility.

In Hong Kong, the Stock Connect, a unique collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges which allows international and Mainland Chinese investors to trade securities in each other’s markets, continued to gather momentum in 2017 with the increased fund flows and trading volume. In addition, the Northbound trading services for the Bond Connect had also been commenced in July 2017, which allows investors from the Mainland China and overseas to trade in each

other's bond markets through connection between the related Mainland and Hong Kong financial infrastructure institutions. With these new trading platforms, it is vital to the local financial market infrastructure and strategy for the long term.

Further, the Investment Agreement and Agreement on Economic and Technical Cooperation signed between Hong Kong and the Ministry of Commerce under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) on 28 June 2017 has been implemented on 1 January 2018. The arrangement for advancing Hong Kong's full participation in and contribution to the Belt and Road Initiative has been signed on 14 December 2017 between Hong Kong and The National Development and Reform Commission, which focus on six particular areas – finance and investment; infrastructure and maritime services; economic and trade facilitation; establishing closer links with groups and individuals along the Belt and Road Initiative routes; advancing the Guangdong-Hong Kong-Macau Bay Area Development project; and heightened collaboration with regard to project interfacing and dispute resolution. All these new arrangements will certainly bring positive impact and help to boost the growth of the local financial market in the foreseeable future.

Our business strategies continue to include enlarging our revenue base through fostering our core businesses, and tapping into new emerging markets with expanded business initiatives. While applying our excellent operational capabilities to serve our clients, the Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond. The Group will continue to explore the business opportunities in the PRC market. At the same time, the Group also keeps a firm grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted.

LONG-TERM BUSINESS STRATEGY

The Group's core businesses remain competitive with a focus on provision of financial services and proprietary trading.

Throughout 2017, the Group did not make any significant changes to its business strategy. Despite market volatility, the Group safeguarded its competitive edge due to a number of factors: clients established over the years, diverse premium services that cater to clients' needs, competitive fees and a proactive and professional team that is dedicated to innovation and exploration of new markets to drive greater business returns for the investors and shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group's consolidated revenue was approximately HK\$53.7 million, which decreased by about 5% as compared with the same period in 2016. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$67.5 million for the year ended 31 December 2017 against a loss of approximately HK\$56.7 million for the same period in 2016, representing an increase of about 19%.

The increase in the Group's consolidated loss attributable to shareholders in 2017 was mainly attributable to the increase in net loss from the Group's proprietary trading business as a result of the recognition of the net loss of approximately HK\$10.8 million from the financial assets held for trading in 2017 as compared with the net gain of approximately HK\$42.9 million for the same period in 2016, which had been partially set-off by the increase in net profit from the Group's brokerage and financing businesses as a result of the significant decrease in recognition of the impairment loss on the client receivables of approximately HK\$32.2 million in 2017 as compared to that of 2016, and the absence of the recognition of the equity-settled share option expense of approximately HK\$20.6 million for the share options granted by the Company in 2016.

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

Revenue Analysis

	2017		2016		Increase (decrease) %
	Proportion of total revenue HK\$'000	%	Proportion of total revenue HK\$'000	%	
Revenue from:					
Brokerage and Financing	46,721	87%	49,333	87%	(5%)
Brokerage commission and other related fees	21,388	40%	20,754	37%	3%
Underwriting, sub-underwriting, placing and sub-placing commission	311	1%	4,654	8%	(93%)
Interest income from brokerage clients	11,835	22%	18,775	33%	(37%)
Interest income from money lending clients	7,549	14%	3,650	6%	107%
Other fees	5,638	10%	1,500	3%	276%
Corporate Finance and Other Advisory Services	6,865	13%	5,997	11%	14%
Asset Management	-	-	-	-	-
Proprietary Trading	99	0%	953	2%	(90%)
Total revenue	53,685	100%	56,283	100%	(5%)

Segment Analysis

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Segment results:		
Brokerage and Financing	9,981	(32,933)
Corporate Finance and Other Advisory Services	(5,115)	(5,011)
Asset Management	(1,799)	(2,150)
Proprietary Trading	<u>(23,956)</u>	<u>40,257</u>
Group segment (loss) profit	(20,889)	163
Fair value change on financial assets designated as at fair value through profit or loss	14,855	13,460
Compensation income arising from profit guarantee	978	–
Central administrative costs	<u>(61,722)</u>	<u>(70,358)</u>
Loss before taxation	(66,778)	(56,735)
Income tax (expense) credit	<u>(698)</u>	<u>19</u>
Loss for the year attributable to shareholders of the Company	<u>(67,476)</u>	<u>(56,716)</u>

Brokerage and Financing

During the year ended 31 December 2017, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage and VC Futures Limited, provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services. It also through another indirect wholly owned subsidiary, VC Finance Limited (“**VC Finance**”), provides money lending services in Hong Kong. For the year ended 31 December 2017, the brokerage and financing businesses recorded total revenue of approximately HK\$46.7 million as compared with approximately HK\$49.3 million for the same period last year, representing a slight decrease of about 5%, and accounted for about 87% of the Group’s total revenue.

The Group’s one of the major revenue streams, namely, brokerage commission and other related fees from dealing in securities, futures and options contracts for the year ended 31 December 2017 amounted to approximately HK\$21.4 million, which was about 3% slightly higher than that of 2016, and accounted for about 40% of the Group’s total revenue. The Group’s brokerage transactions registered growth throughout 2017 with average daily trading turnover increasing by about 12% as compared to that of 2016, which was in line with the local market conditions. Together with other fees, mainly the arrangement and referral fees of approximately HK\$5.6 million for the year ended 31 December 2017 as compared to approximately HK\$1.5 million in 2016, the revenue from these brokerage businesses recorded an increase of about 21% as compared to the same period last year.

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2017 decreased by about 14% to approximately HK\$19.4 million from approximately HK\$22.4 million for the same period last year, and accounted for about 36% of the Group's total revenue. The revenue included the interest income derived from both the brokerage business and the money lending business. Among these, the Group's interest income from our brokerage clients recorded approximately HK\$11.8 million for the year ended 31 December 2017, representing a drop of about 37% as compared with the same period last year. The drop was mainly attributable to the decrease of average loan portfolio of our brokerage clients by about 31% for the year ended 31 December 2017 as compared with the same period last year. Nevertheless, among various client receivables, the aggregate initial public offering subscription financings provided to our clients registered significant growth of almost 5 times in 2017 as compared to that of 2016, though the net interest income derived is thin.

As abovementioned, 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\$7.5 million for the year ended 31 December 2017, representing an increase of about 107% as compared with the same period last year. The increase was mainly contributed by the increase of average loan portfolio of the money lending business by about 2.6 times in 2017 as compared with the same period last year.

The Group has put efforts on implementing our credit control policies and procedures to review our clients' creditworthiness and credit limits from time to time so as to minimize our credit risk exposure. The Group's credit control policies and procedures are principally based on the doubtful unsecured exposure having assessed the fair value of the clients' collaterals held, the evaluation of collectability and aging analysis of the client accounts. As the local economy is volatile from time to time, the Group always takes a cautious approach in provision of the financing services. For the year ended 31 December 2017, there was an additional impairment loss of approximately HK\$0.5 million on client receivables from the brokerage and financing businesses (2016: HK\$32.7 million) in accordance with the Group's credit control policies and procedures. The Group has taken the effort and all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans. Details of the impairment loss on the client receivables had been disclosed in Note 14 to the consolidated financial statements.

Meanwhile, the Group offers placing and underwriting services to our clients, and acts as placing agent and underwriter for Hong Kong listed companies' fund raising activities. For the year ended 31 December 2017, the Group's placing and underwriting commission was approximately HK\$0.3 million as compared with approximately HK\$4.7 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 generated an operating profit after tax of approximately HK\$9.7 million for the year ended 31 December 2017 against a loss of approximately HK\$32.9 million for the same period last year. The significant improvement in operating performance in 2017 was mainly due to the decrease in recognition of impairment loss on the client receivables of approximately HK\$32.2 million in 2017 as compared to that of 2016.

Corporate Finance and Other Advisory Services

The Company through its indirect wholly owned subsidiary, VC Capital Limited (“VC Capital”), provides corporate finance advisory services to its clients. In 2017, VC Capital was appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions.

Further, from the fourth quarter of 2017, the Company through its indirect wholly owned subsidiary, VC Corporate Services Limited, provides corporate services, including company secretarial services, registered office and business services, etc., to listed and private companies. It is expected that the expansion of the Group’s advisory services will broaden our revenue and clients’ base in the long term.

Overall, the operating performance of the corporate finance and other advisory services business for the year ended 31 December 2017 was close to that of the same period last year, which recorded revenue and operating loss after tax of approximately HK\$6.9 million and HK\$5.1 million as compared with approximately HK\$6 million and HK\$5 million for the same period last year respectively.

Asset Management

For the year ended 31 December 2017, the Company’s asset management business, through its indirect wholly owned subsidiary, VC Asset Management Limited, recorded an operating loss after tax of approximately HK\$1.8 million as compared with a loss of approximately HK\$2.2 million for the same period last year, which mainly included the general operating expenses such as staff costs and professional costs.

The Group continues to pursue new business opportunities and resources to develop its asset management business so as to enhance our products and services offerings to cater for the diverse and growing needs of our clients. In the past few years, the local capital market was volatile and full of uncertainties, which made the development of our asset management business still difficult. Nevertheless, the Group has continued to put efforts in approaching the potential clients so as to gain understanding of their needs, establish long-term business relationship with them and finally provide the personalized investment and wealth management services which can create greater value to them. In 2017, there was some progress in pursuit of new clients for the Group’s asset management business.

Proprietary Trading

As at 31 December 2017, the Group held equity securities listed in Hong Kong of approximately HK\$272.7 million (31 December 2016: HK\$257.4 million) as financial assets held for trading, which was stated at market value. The fair value of these listed equity securities represents about 32% of the Group's total assets as at 31 December 2017 (31 December 2016: 33%). The Group started to devote more resources for proprietary trading business from the second half of 2016 so as to capture opportunities arising from improving market sentiments and considered it as one of the Group's core businesses thereafter.

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 2017, there was net additional purchase in securities investment of approximately HK\$25.6 million (2016: HK\$212.1 million).

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$99,000 from the proprietary trading business, which was mainly the dividend income received on the trading investments (2016: HK\$1 million). Meanwhile, the Group recognised a net loss of approximately HK\$10.8 million (including a realised loss of approximately HK\$0.7 million and an unrealised loss of approximately HK\$10.1 million) on the trading investments for the year ended 31 December 2017 as compared with a net gain of approximately HK\$42.9 million (including a realised gain of approximately HK\$22.8 million and an unrealised gain of approximately HK\$20.1 million) for the same period in 2016.

Overall, the Group's proprietary trading business recorded an operating loss after tax of approximately HK\$24.3 million for the year ended 31 December 2017 against a profit of approximately HK\$40.3 million for the same period last year.

Financial assets designated as at fair value through profit or loss

Century Race Investments Limited ("**Century Race**"), an indirect wholly owned subsidiary of the Company, acquired 10.5% equity interest of IBO Technology Company Limited ("**IBO Tech**") (formerly known as "China Security Control Company Limited") at a cash consideration of HK\$35 million in 2016. On 28 December 2017, IBO Tech (stock code: 2708) has been listed on the Main Board of the Stock Exchange and the Company's shareholding in IBO Tech was then diluted to 7.875% as at 31 December 2017. Century Race has undertaken not to dispose of or otherwise encumber any of its interest in IBO Tech up to the date falling on the expiration of 6 months of the listing (both days inclusive).

The fair value of the Group's investment in IBO Tech as at 31 December 2017 was approximately HK\$63.3 million based on the quoted market price available on the Stock Exchange (31 December 2016: HK\$48.5 million with reference to the recent and similar transaction executed in late December 2016). As such, there was an increase in the fair value of approximately HK\$14.9 million during the year ended 31 December 2017 (2016: HK\$13.5 million). The fair value of these listed equity securities represented about 7% of the Group's total assets as at 31 December 2017 (31 December 2016: unlisted equity securities of 6%).

Further, Century Race was guaranteed that IBO Tech's net profit after tax for the year ended 31 March 2017 shall not be less than RMB37.5 million (the "**Guaranteed Amount**"). In the event that IBO Tech's net profit after tax falls below the Guaranteed Amount, the sellers of IBO Tech (the "**Sellers**") shall compensate Century Race by proportion to the percentage of shareholding interest in cash. Based on the audited financial information of IBO Tech for the year ended 31 March 2017, it was noted that IBO Tech's audited net profit after tax was less than RMB37.5 million and was unable to meet its profit guarantee for the year ended 31 March 2017. As such, compensation in cash for an amount of approximately RMB846,000 (equivalent to approximately HK\$978,000) by the Sellers to Century Race was required and recognised as compensation income arising from profit guarantee and included in the Group's other gains and losses in 2017. Besides, upon the listing of IBO Tech, all the rights granted by the Sellers to Century Race have been terminated and ceased to be effective. Details had been disclosed in Note 13 to the consolidated financial statements.

Central administrative costs

For the year ended 31 December 2017, the Group's central administrative costs amounted to approximately HK\$61.7 million as compared with approximately HK\$70.4 million for the same period last year, which mainly included the unallocated corporate operating expenses. The decrease in the central administrative costs of approximately HK\$8.7 million in 2017 was mainly attributable to the absence in recognition of the corporate portion of the equity-settled share option expense of approximately HK\$20.1 million for the 41 million share options granted by the Company in 2016, which had been partially set-off by the increase in corporate operating expenses incurred for the Group's business development such as staff costs, entertainment and travel expenses.

Income tax (expense) credit

For the year ended 31 December 2017, the Group recognised an income tax expense of approximately HK\$698,000 which included current tax expense of approximately HK\$310,000 and deferred tax expense of approximately HK\$388,000. The current tax expense was made for the provision of Hong Kong Profits Tax charge in relation to the profitability generated from the brokerage and financing businesses and the corporate finance and other advisory services businesses and the provision of PRC Enterprise Income Tax in relation to the PRC representative offices of the Group in 2017. The deferred tax expense was recognised in relation to the unrealised gain on financial assets held for trading for the proprietary trading business.

No provision for Hong Kong Profits Tax had been made during the year ended 31 December 2016 as the assessable profit was wholly absorbed by the tax losses brought forward. For the year ended 31 December 2016, the Group recognised an income tax credit of approximately HK\$19,000 which represented the over-provision of Hong Kong Profits Tax in prior year for the brokerage and financing businesses.

Finance costs

For the year ended 31 December 2017, the finance costs of the Group amounted to approximately HK\$452,000 as compared with approximately HK\$76,000 for the same period last year, in which all were incurred for the short-term bank loans, especially for financing the clients in subscription of new issue shares, in relation to the Group's brokerage and financing businesses.

Headcount and employees information

As at 31 December 2017, the Group employed a total of 122 employees (31 December 2016: 109), which excluded 7 self-employed account executives for brokerage services (31 December 2016: 8), and 117 and 5 were located in Hong Kong and the PRC respectively (31 December 2016: 109 and Nil). Salaries and staff benefits costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$65.1 million and HK\$10.9 million respectively for the year ended 31 December 2017 as compared with approximately HK\$82 million and HK\$9.6 million respectively for the same period last year. Details had been disclosed in Note 6 to the consolidated financial statements.

The decrease in the salaries and staff benefits costs of approximately HK\$16.9 million in 2017 was mainly attributable to the absence in recognition of the equity-settled share option expense of approximately HK\$20.6 million for the 41 million share options granted in 2016 and the decrease in discretionary and performance related incentive payments of approximately HK\$3.1 million in 2017, which had been partially set-off by the related staff costs incurred for the increase in headcounts for the Group's business development in the PRC.

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 2017, the Group financed its business operations and investments with internal resources, cash revenue generated from operating activities, shares placement and short-term bank loans.

The Group adopts a prudent treasury policy. As at 31 December 2017, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 31 December 2017.

As at 31 December 2017, the Group held banking facilities of HK\$100 million granted from a bank to VC Brokerage (31 December 2016: HK\$100 million), which is required to be secured by bank deposits of HK\$40 million (31 December 2016: HK\$40 million) and corporate guarantee of HK\$100 million (31 December 2016: HK\$100 million) provided by the Company. Among the available banking facilities, HK\$40 million (31 December 2016: HK\$40 million) is general short-term money market loan and current account overdraft. The other HK\$50 million (31 December 2016: HK\$50 million) is short-term money market loan for margin financing business, which is required to be secured by VC Brokerage's margin clients' listed securities when utilised. The balance of HK\$10 million (31 December 2016: HK\$10 million) is used for drawings against uncleared cheques. As at 31 December 2017, the Group had utilised an amount of HK\$40 million for the general short-term money market loan (31 December 2016: HK\$40 million), which bore an interest rate at 3.22% per annum (31 December 2016: 2.78% per annum).

As at 31 December 2017, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$228.2 million (31 December 2016: HK\$247.7 million), HK\$740.5 million (31 December 2016: HK\$638.8 million) and HK\$752.2 million (31 December 2016: HK\$699.6 million) respectively, representing a decrease of about 8% and an increase of about 16% and 8% respectively as compared with that of 31 December 2016. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of about 8.9 times as at 31 December 2017 (31 December 2016: 8.4 times). These showed that the Group still maintained a solid financial position as at 31 December 2017.

As at 31 December 2017 and 31 December 2016, the total numbers of issued ordinary shares of the Company were 794,616,829 and 662,616,829 respectively. The increase of share capital in 2017 was attributable to the completion of placement of 132 million new shares in August 2017 providing the net proceeds of approximately HK\$117.1 million to the Company. The details are disclosed in the section "**BUSINESS REVIEW**" above. As at 31 December 2017, all aforesaid net proceeds had been utilised based on the intended usage, in which approximately HK\$31.1 million, HK\$49.8 million, HK\$10 million, HK\$21.2 million and HK\$5 million were used for (a) acquisition of investment securities for proprietary trading business; (b) providing additional working capital for brokerage and financing businesses; (c) providing additional capital for corporate finance business; (d) settlement of the Group's corporate administrative expenses; and (e) payment of the organisation expenses for the formation of a joint venture respectively.

Charges on group assets

As mentioned in the section “**Liquidity and financial resources/capital structure**” above, the Group made a HK\$40 million charge over its bank deposits to a bank as at 31 December 2017 (31 December 2016: HK\$40 million) for securing the banking facilities granted to VC Brokerage.

Foreign exchange exposure

It is the Group’s policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. For the year ended 31 December 2017, almost all of the Group’s principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal 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 minimize the exchange related risks.

Contingent liabilities

As at 31 December 2017, the Company had given financial guarantees of HK\$100 million (31 December 2016: HK\$100 million) to a bank in respect of banking facilities of HK\$100 million (31 December 2016: HK\$100 million) provided to VC Brokerage as mentioned in the section “**Liquidity and financial resources/capital structure**” above. As at 31 December 2017, banking facilities of an amount of HK\$40 million was utilised by VC Brokerage (31 December 2016: HK\$40 million).

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 2017, the Group’s gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders’ equity, was approximately 0.05 time (31 December 2016: 0.06 time).

Significant investments held, their performance and future prospects

For the year ended 31 December 2017, details of the Group’s significant investments held, their performance and future prospects are disclosed in the sections “**Proprietary Trading**” and “**Financial assets designated as at fair value through profit or loss**” above.

Material acquisitions and disposal of subsidiaries, associates and joint ventures

For the year ended 31 December 2017, the Group did not make any material acquisitions and disposal of subsidiaries, associates and joint ventures.

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

As at 31 December 2017 and as at the date of this announcement, 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 except for the formation of the joint venture securities company in the PRC and the proposed formation of a joint venture company to act as a sponsor to a limited partnership fund which will focus on infrastructure projects as disclosed in the section “**BUSINESS REVIEW**” above and the potential acquisition of an equity interest in a company principally engaged in provision of loan financing and financial consultancy services in the PRC and provision of money lending services in Hong Kong as disclosed in the section “**Events after the reporting period**” below. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects by using its internal resources and/or different financing options available, whichever should be deemed appropriate.

Meanwhile, as at 31 December 2017, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment. Details of the Group’s commitments are disclosed in Note 21 to the consolidated financial statements.

Events after the reporting period

- (i) Regarding the MOU as disclosed in the section “**BUSINESS REVIEW**” above, the MOU was expired on 21 December 2017. As at 31 December 2017, the MOU was under negotiation for extension. On 5 January 2018, the Company and the Party entered into an extension letter to extend the exclusivity period of the MOU to 30 June 2018. As at the date of this announcement, the parties had not entered into the Definitive Agreements. Details of the transaction had been disclosed in the Company’s announcement dated 5 January 2018.
- (ii) Regarding the acquisition of the China Fortune Convertible Bonds as disclosed in the section “**BUSINESS REVIEW**” above, the transaction had been completed on 8 January 2018. Details of the potential proforma financial effects of the transaction to the Group’s consolidated financial statements had been disclosed in the Company’s circular dated 7 December 2017.

- (iii) On 8 March 2018, Apex Treasure International Limited, the Company's indirect wholly owned subsidiary, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with CVP Financial Group Limited ("**CVP Financial**") as vendor pursuant to which the Company intends to acquire and CVP Financial intends to sell 18% of the entire issued share capital of Hackett Enterprises Limited (the "**Target Company**") at a consideration of HK\$160 million (the "**Consideration**"). The Target Company and its subsidiaries are principally engaged in the provision of loan financing and financial consultancy services in the PRC and the provision of money lending services in Hong Kong. The Consideration will be settled by issue of a 3-year two per cent. unsecured convertible bonds by the Company in the principal amount of HK\$160 million, which are convertible into 123,076,923 conversion shares of the Company at an initial conversion price of HK\$1.3 per conversion share (subject to adjustments). The Sale and Purchase Agreement shall become effective upon the approval from the shareholders of the Company and the fulfillment of other conditions. Details of the transaction had been disclosed in the Company's announcement dated 8 March 2018.

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	53,685	56,283
Other income	4	814	658
Other gains and losses	5	4,585	23,544
Staff costs	6	(75,953)	(91,556)
Commission expenses		(3,039)	(3,348)
Depreciation of property and equipment	12	(2,026)	(1,839)
Finance costs	7	(452)	(76)
Other operating expenses		(44,392)	(40,401)
		<hr/>	<hr/>
Loss before taxation		(66,778)	(56,735)
Income tax (expense) credit	8	(698)	19
		<hr/>	<hr/>
Loss and total comprehensive expense for the year	9	(67,476)	(56,716)
		<hr/>	<hr/>
Loss per share (HK cents)			
Basic	11	(9.48)	(9.39)
		<hr/>	<hr/>
Diluted	11	(9.48)	(9.39)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Trading rights		–	–
Other intangible assets		1,246	1,246
Property and equipment	12	4,704	4,619
Statutory deposits		3,447	3,125
Rental and utility deposits		2,702	3,253
Financial assets designated as at fair value through profit or loss	13	–	48,460
Available-for-sale investments		–	–
		<u>12,099</u>	<u>60,703</u>
Current assets			
Accounts receivable	14	216,897	173,720
Prepayments, deposits and other receivables		12,871	6,038
Financial assets designated as at fair value through profit or loss	13	63,315	–
Financial assets held for trading	15	272,728	257,418
Tax recoverable		32	–
Pledged bank deposits	16	40,000	40,000
Bank balances and cash	17	228,190	247,661
		<u>834,033</u>	<u>724,837</u>
Current liabilities			
Accounts payable	18	36,891	26,881
Accrued liabilities and other payables		16,338	19,109
Taxation payable		330	–
Short-term bank borrowings	19	40,000	40,000
		<u>93,559</u>	<u>85,990</u>
Net current assets		<u>740,474</u>	<u>638,847</u>
Total assets less current liabilities		<u>752,573</u>	<u>699,550</u>
Non-current liability			
Deferred tax liability		388	–
Net assets		<u>752,185</u>	<u>699,550</u>
Capital and reserves			
Share capital	20	855,363	735,252
Reserves		(103,178)	(35,702)
Total equity		<u>752,185</u>	<u>699,550</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note 1)</i>	Accumulated losses <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note 2)</i>	Total <i>HK\$'000</i>
At 1 January 2016	639,851	123,758	(122,383)	-	(767)	640,459
Loss for the year representing total comprehensive expense for the year	-	-	(56,716)	-	-	(56,716)
Recognition of equity-settled share option expense	-	-	-	20,607	-	20,607
Issue of shares upon exercise of share options	905	-	-	(201)	-	704
Issue of shares by placement	95,700	-	-	-	-	95,700
Transaction costs attributable to issue of shares by placement	(1,204)	-	-	-	-	(1,204)
At 31 December 2016	<u>735,252</u>	<u>123,758</u>	<u>(179,099)</u>	<u>20,406</u>	<u>(767)</u>	<u>699,550</u>
Loss for the year representing total comprehensive expense for the year	-	-	(67,476)	-	-	(67,476)
Issue of shares by placement	120,120	-	-	-	-	120,120
Transaction costs attributable to issue of shares by placement	(9)	-	-	-	-	(9)
At 31 December 2017	<u>855,363</u>	<u>123,758</u>	<u>(246,575)</u>	<u>20,406</u>	<u>(767)</u>	<u>752,185</u>

Notes:

- (1) Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong had approved the reduction of the capital of Value Convergence Holdings Limited (the "Company") and the cancellation of the Company's share premium account. The credit arising from the reduction of the share capital account and cancellation of the share premium account, after eliminated against the accumulated losses, in the aggregate amount of HK\$123,758,200 was transferred to a capital reserve account of the Company. Such capital reserve account will not be treated as realised profits, and shall be treated as an undistributable reserve of the Company until and unless the creditors of the Company as at the date of the sanction are fully settled. In view of the fact that the Company had already fully settled the relevant debts due to the creditors, the Company is of the view that the reserve is distributable to the Company's shareholders.
- (2) Other reserve represented the negative differences between the purchase considerations and the amounts acquired from non-controlling interests arising from acquisitions of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited respectively completed in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Company and its subsidiaries (the “Group”) are principally engaged in the provision of financial services and proprietary trading.

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

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of the annual results for the year ended 31 December 2017 does not constitute the Company’s statutory annual consolidated financial statements for those years 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 consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–16 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact 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.

Amendments to HKAS 7 “Disclosure initiative”

The Group has applied these amendments for the first time in the current year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the Hong Kong Companies Ordinance.

The 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

Revenue principally arises from the financial services business comprising the provision of securities, futures and options brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, provision of initial public offerings, mergers and acquisitions services, and other corporate finance related advisory services, and proprietary trading.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Brokerage commission and other related fees from dealing in securities and futures and options contracts	21,388	20,754
Underwriting, sub-underwriting, placing and sub-placing commission	311	4,654
Arrangement, referral, advisory and other fee income	12,503	7,497
Interest income from clients	19,384	22,425
Dividend income from listed securities	99	953
	<u>53,685</u>	<u>56,283</u>
Other income		
Interest income from authorised institutions	581	587
Sundry income	233	71
	<u>814</u>	<u>658</u>
Total income	<u>54,499</u>	<u>56,941</u>

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 operates financial services and proprietary trading businesses and classifies its business into four operating segments, namely brokerage and financing businesses, corporate finance and other advisory services, asset management and proprietary trading and reports to the Group's Executive Committee (being the Group's Chief Operating Decision Maker) accordingly. Details of these four operating and reportable segments are summarised as follows:

- (i) the brokerage and financing segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, and placing and underwriting services;
- (ii) the corporate finance and other advisory services segment engages in the provision of corporate financial advisory services and company secretarial services;
- (iii) the asset management segment engages in the provision of asset management services; and
- (iv) the proprietary trading segment engages in the trading of equity securities, debt securities and other financial products.

The following tables present revenue and results of these operating segments for the years ended 31 December 2017 and 2016.

Year ended 31 December 2017

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Proprietary trading HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	46,721	6,865	-	99	53,685	-	53,685
Inter-segment sales	3,968	20	-	-	3,988	(3,988)	-
	<u>50,689</u>	<u>6,885</u>	<u>-</u>	<u>99</u>	<u>57,673</u>	<u>(3,988)</u>	<u>53,685</u>
Segment profit (loss)	<u>9,981</u>	<u>(5,115)</u>	<u>(1,799)</u>	<u>(23,956)</u>	<u>(20,889)</u>	<u>-</u>	<u>(20,889)</u>
Central administrative costs							(61,722)
Fair value change on financial assets designated as at FVTPL							14,855
Compensation income arising from profit guarantee (Note 13)							<u>978</u>
Loss before taxation for the year							<u>(66,778)</u>

Other segment information

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Proprietary trading HK\$'000	Segment total HK\$'000	Adjustments HK\$'000 (Note)	Total HK\$'000
Amounts included in the measure of segment profit or loss:							
Net realised and unrealised loss on financial assets held for trading	-	-	-	10,820	10,820	-	10,820
Interest income from authorised institutions	(523)	(38)	(19)	-	(580)	(1)	(581)
Staff costs	26,967	7,506	1,320	-	35,793	40,160	75,953
Commission expenses	3,039	-	-	965	4,004	(965)	3,039
Depreciation of property and equipment	648	111	2	-	761	1,265	2,026
Impairment loss on accounts receivable, net	501	-	-	-	501	-	501
Finance costs	4,275	-	-	9,338	13,613	(13,161)	452
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:							
Income tax expense	<u>270</u>	<u>25</u>	<u>-</u>	<u>388</u>	<u>683</u>	<u>15</u>	<u>698</u>

Year ended 31 December 2016

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Proprietary trading HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	49,333	5,997	-	953	56,283	-	56,283
Inter-segment sales	896	20	-	-	916	(916)	-
	<u>50,229</u>	<u>6,017</u>	<u>-</u>	<u>953</u>	<u>57,199</u>	<u>(916)</u>	<u>56,283</u>
Segment profit (loss)	<u>(32,933)</u>	<u>(5,011)</u>	<u>(2,150)</u>	<u>40,257</u>	<u>163</u>	<u>-</u>	<u>163</u>
Central administrative costs							(70,358)
Fair value change on financial assets designated as at FVTPL							<u>13,460</u>
Loss before taxation for the year							<u>(56,735)</u>

Other segment information

	Brokerage and financing HK\$'000	Corporate finance and other advisory services HK\$'000	Asset management HK\$'000	Proprietary trading HK\$'000	Segment total HK\$'000	Adjustments HK\$'000 (Note)	Total HK\$'000
Amounts included in the measure of segment profit or loss:							
Net realised and unrealised gain on financial assets held for trading	-	-	-	(42,018)	(42,018)	(896)	(42,914)
Interest income from authorised institutions	(479)	(30)	(17)	-	(526)	(61)	(587)
Staff costs	25,160	6,769	1,528	-	33,457	58,099	91,556
Commission expenses	3,248	100	-	-	3,348	-	3,348
Depreciation of property and equipment	948	20	2	-	970	869	1,839
Impairment loss on accounts receivable, net	32,745	-	-	-	32,745	-	32,745
Finance costs	1,375	-	-	2,634	4,009	(3,933)	76
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:							
Income tax credit	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>-</u>	<u>(19)</u>

Note: Adjustments include the central administrative costs that are not directly allocated to the four operating segments and also represent the intra-group sales, finance costs and management fee which are eliminated at consolidation.

Segment profit or loss represents the profit earned by/loss from each segment, before the deduction of central administrative costs, fair value change on financial assets designated as at FVTPL and compensation income arising from profit guarantee. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

In 2017, two customers contributed 10% or more of the Group's revenue each, in which the revenue from these customers amounted to approximately HK\$5,603,000 and HK\$5,445,000 respectively. In 2016, no single 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 both 2017 and 2016. Almost all of its non-current assets are attributed to the operations in Hong Kong and located in Hong Kong.

Segment assets and liabilities are not presented as they are not regularly provided to the Group's Executive Committee.

5. OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fair value change on financial assets designated as at FVTPL (<i>Note 13</i>)	14,855	13,460
Net realised and unrealised (loss) gain on financial assets held for trading	(10,820)	42,914
Impairment loss on accounts receivable, net	(501)	(32,745)
(Loss) gain on disposal of property and equipment	(2)	8
Net exchange gain (loss)	75	(93)
Compensation income arising from profit guarantee (<i>Note 13</i>)	978	–
	<u>4,585</u>	<u>23,544</u>

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Staff commission	10,894	9,567
Salaries and wages	52,930	46,535
Staff welfare	2,282	1,871
Recruitment costs	411	102
(Reversal) provision of long service payment/annual leave benefits	(122)	361
Retirement benefits scheme contributions	1,555	1,375
Discretionary and performance related incentive payments and provision of gratuity	8,003	11,138
Equity-settled share option expense	–	20,607
	<u>75,953</u>	<u>91,556</u>

7. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interests on:		
Bank loans and overdrafts	<u>452</u>	<u>76</u>

8. INCOME TAX EXPENSE (CREDIT)

The amount of tax charged/credited to the consolidated statement of profit or loss and other comprehensive income represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	315	–
The People's Republic of China ("PRC")		
Enterprise Income Tax	15	–
Overprovision in prior year		
Hong Kong Profits Tax	(20)	(19)
Deferred tax		
Current year	<u>388</u>	<u>–</u>
	<u>698</u>	<u>(19)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. The PRC representative offices are subject to the PRC Enterprise Income Tax at 25% for 2017.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Included in other operating expenses:		
Auditor's remuneration	1,343	1,123
Minimum operating lease payments in respect of rental premises	9,960	9,906
Entertainment and travel expenses (mainly incurred for business development)	14,243	12,447
	<u>14,243</u>	<u>12,447</u>

10. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the years ended 31 December 2017 and 2016.

11. 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(67,476)</u>	<u>(56,716)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>711,800</u>	<u>603,972</u>

The diluted loss per share for the years ended 31 December 2017 and 2016 are computed excluding the effect of share options as the exercise of the Company's share options is anti-dilutive.

12. PROPERTY AND EQUIPMENT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Carrying value, beginning of the year	4,619	3,858
Additions	2,120	2,600
Depreciation	(2,026)	(1,839)
Written off/Disposal	(9)	–
	<u>4,704</u>	<u>4,619</u>
Carrying value, end of the year	<u>4,704</u>	<u>4,619</u>

13. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities with embedded derivatives	–	48,460
Equity securities listed in Hong Kong	<u>63,315</u>	<u>–</u>
	<u>63,315</u>	<u>48,460</u>

On 11 May 2016, Century Race Investments Limited (“Century Race”), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the “First S&P Agreement”) with an independent third party (the “Holder”) to acquire 6% equity interest of a private entity incorporated in the British Virgin Islands (the “Acquired Company”) at a consideration of HK\$20 million. On 7 July 2016, Century Race entered into another sale and purchase agreement (the “Second S&P Agreement”) with the Holder and the Acquired Company whereby the Holder agreed to buy back the 6% equity interest of the Acquired Company from Century Race at a consideration of HK\$20 million and Century Race agreed to acquire 10.5% equity interest of IBO Technology Company Limited (“IBO Tech”), which is incorporated in the Cayman Islands and held by the Acquired Company, at a consideration of HK\$35 million. Net cash outflow of the Second S&P Agreement was HK\$15 million.

According to the Second S&P Agreement, the Holder and the Acquired Company jointly and severally guarantee that IBO Tech’s net profit after tax for the years ending 31 March 2017 and 31 March 2018 shall not be less than RMB37.5 million and RMB50 million (the “Guaranteed Amounts”) respectively. In the event that IBO Tech’s net profit after tax falls below the Guaranteed Amounts in any of the two years, the Holder and the Acquired Company shall compensate Century Race by proportion to the percentage of shareholding interest in cash. Meanwhile, Century Race has the right to request the Holder and the Acquired Company to buy back its shareholding interest in IBO Tech (the “Buy-back Option”) if IBO Tech is not listed on the Main Board of the Stock Exchange on or before 31 December 2017.

The investment is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s investment strategy so that the Group designated the investment as financial assets designated as at fair value through profit or loss.

As at 31 December 2016, the Group’s equity interest of IBO Tech were remeasured at fair value of HK\$48,460,000 with reference to the recent and similar transaction executed in late December 2016, with a fair value gain of approximately HK\$13,460,000 recognised in profit or loss for the year ended 31 December 2016.

On 28 December 2017, IBO Tech has been listed on the Main Board of the Stock Exchange and Century Race’s shareholding in IBO Tech was then diluted to 7.875% of the entire listed share of IBO Tech as at 31 December 2017. According to the Second S&P Agreement, all the rights granted by the Holder and the Acquired Company to Century Race have been terminated and ceased to be effective upon the listing of IBO Tech, including the abovementioned profit guarantee for the year ending 31 March 2018 and the Buy-back Option. Further, Century Race has undertaken not to dispose of or otherwise encumber any of its interest in IBO Tech up to the date falling on the expiration of 6 months of the listing (both days inclusive). The fair value of Century Race’s interest

in IBO Tech as at 31 December 2017 was approximately HK\$63,315,000 based on its quoted market price available on the Stock Exchange. As such, there was an increase in the fair value of approximately HK\$14,855,000 for the year ended 31 December 2017.

As abovementioned, Century Race was guaranteed that IBO Tech's net profit after tax for the year ended 31 March 2017 shall not be less than RMB37.5 million. Based on the audited financial information of IBO Tech for the year ended 31 March 2017, Century Race recognised a gain of approximately RMB846,000 (equivalent to approximately HK\$978,000) which was included in other gains and losses as set out in Note 5.

14. ACCOUNTS RECEIVABLE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions (<i>Note a</i>):		
Clearing house	14,909	124
Cash clients	30,419	15,197
Margin clients	88,252	154,209
Futures and options contracts transactions (<i>Note a</i>):		
Clearing house	4	4
Accounts receivable arising from the ordinary course of business of provision of corporate finance and other advisory services (<i>Note b</i>)	1,284	311
Accounts receivable arising from the ordinary course of business of money lending services (<i>Note c</i>)	<u>115,272</u>	<u>36,620</u>
	250,140	206,465
Less: Allowance for impairment (<i>Note d</i>)	<u>(33,243)</u>	<u>(32,745)</u>
	<u>216,897</u>	<u>173,720</u>

Notes:

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date. Accounts receivable from clearing house and majority of accounts receivable from cash clients represent trades pending settlement arising from the business of dealing in securities transactions.

In respect of the accounts receivable arising from dealing in securities, futures and options contracts, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	44,562	14,439
31 – 90 days	288	170
Over 90 days	482	716
	45,332	15,325

Included in the amount of HK\$45,332,000 (2016: HK\$15,325,000), approximately HK\$5,201,000 (2016: HK\$885,000) is past due but not impaired from cash clients as at 31 December 2017, aging analysis of which is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	4,431	–
31 – 90 days	288	170
Over 90 days	482	715
	5,201	885

As at 31 December 2017, no impairment loss had been provided for the amounts that are past due as the fair value of the listed securities of approximately HK\$43,070,000 (2016: HK\$29,672,000) of these cash clients held by the Group were generally over the relevant carrying amounts of the receivable. No such listed securities held can be pledged by the Group and the corresponding listed securities held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Accounts receivable due from cash clients bear interest at commercial rates when it becomes past due.

As at 31 December 2017, no accounts receivable due from cash clients were past due and impaired (2016: approximately HK\$1,000).

As at 31 December 2017, accounts receivable due from margin clients were secured by the clients' pledged listed securities which carried a fair value of approximately HK\$480,307,000 (2016: HK\$623,475,000). Management of the Group has assessed the market value of pledged listed securities of each individual customer that has margin shortfall as at the end of each reporting period and considered that no impairment allowance is necessary.

Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Accounts receivable due from margin clients are repayable on demand and bear interest at commercial rates.

As at 31 December 2017, accounts receivable of approximately HK\$18,000 is due from a director of the Group in respect of transactions in securities undertaken for his accounts (2016: Nil).

- (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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	515	311
31 – 90 days	419	–
Over 90 days	350	–
	<hr/> 1,284 <hr/>	<hr/> 311 <hr/>

Included in the amount of HK\$1,284,000 (2016: HK\$311,000), approximately HK\$769,000 (2016: Nil), which are over 30 days based on the invoice date, are past due but not impaired as at 31 December 2017. The Group had not provided for any impairment loss as the management was satisfied with the credit quality of the clients and some of these clients had on-going projects with the Group.

- (c) As at 31 December 2017, accounts receivable arising from money lending services bear fixed-rate interest of 1.5% to 1.8% per month or 12% per annum (2016: 1.5% per month or 12% per annum). The accounts receivable had remaining contractual maturity date falling within one year as at the end of each reporting period. As at 31 December 2017, accounts receivable with net carrying amount of approximately HK\$58.6 million were secured by the clients' pledged listed securities, the client's pledged listed securities held by a discretionary trust in which the client is one of the beneficiaries and/or the corporate/personal guarantee provided by the clients' related parties. As at 31 December 2016, accounts receivable with net carrying amount of approximately HK\$2 million were secured by the personal guarantee provided by the client's related party.

The credit quality of the accounts receivable arising from money lending services is as follows:

	2017	2016
	HK\$'000	HK\$'000
Neither past due nor impaired	81,861	–
Not past due but impaired	–	36,620
Past due and impaired	33,411	–
	<u>115,272</u>	<u>36,620</u>
Less: Allowance for impairment	(33,243)	(32,744)
	<u>82,029</u>	<u>3,876</u>

As at 31 December 2017, accounts receivable arising from money lending services of approximately HK\$33,411,000 were past due and an impairment amount of approximately of HK\$33,243,000 was provided. As at 31 December 2016, accounts receivable arising from money lending services of approximately HK\$36,620,000 were not past due but an impairment amount of approximately of HK\$32,744,000 was provided. The details are explained as follows:

During 2016, the accounts receivable from two margin clients were restructured into term loans based on the financial status of the clients and their financial needs. These term loans were not overdue as at 31 December 2016. However, subsequent to year end, the clients could not settle the outstanding principal according to the loan agreements and the term loans became overdue. Taking into account the specific facts and circumstances, the Group made an impairment loss of approximately HK\$13,989,000 in 2016 for the outstanding principal and accrued interest after deducting the fair value of the borrower's collateral pledged for the term loan and/or any subsequent cash repayments made by the borrowers. During the current year, the Group has taken all necessary legal actions to follow up the outstanding loans and considered that an additional impairment loss of approximately HK\$321,000 was required. As at 31 December 2017, the accounts receivable from these clients amounted to HK\$14,478,000 (2016: HK\$17,865,000) with impairment allowance of HK\$14,310,000 (2016: HK\$13,989,000).

During 2016, another loan was granted to a listed company which was due in January 2017 according to the loan agreement. The client failed to repay the outstanding principal of approximately HK\$18,755,000 on due date. The Group had served a statutory demand to the client but did not receive any positive response thereafter. Accordingly, the Group made a full impairment loss allowance of approximately HK\$18,755,000 in 2016 for the outstanding loan. Based on the published announcements of the listed company, in which provisional liquidators had been appointed, the management considered that the probability of the settlement of outstanding principal and/or accrued interests within a short period of time is highly uncertain. Taking into account the specific facts and circumstances, the Group made an additional impairment loss of approximately HK\$178,000 during the current year. As at 31 December 2017, the accounts receivable from the client amounted to HK\$18,933,000 (2016: HK\$18,755,000) with impairment allowance of HK\$18,933,000 (2016: HK\$18,755,000).

- (d) The Group has the policy for allowance for impairment, which is principally based on the evaluation of collectability and aging analysis of accounts, and also on the management's judgement from different aspects including the creditworthiness, collateral and the past repayment history of each client with entities of the Group.

Movements in the allowance for impairment in the reporting period were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of the year	32,745	–
Impairment loss recognised on amounts receivable arising from:		
Securities transactions	2	1
Money lending services	499	32,744
Amounts written off as uncollectible arising from securities transactions	(3)	–
	<u>33,243</u>	<u>32,745</u>
At end of the year	33,243	32,745

In determining the recoverability of these accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date on which the credit was initially granted up to the end of the reporting date and also the fair values of the collateral held.

15. FINANCIAL ASSETS HELD FOR TRADING

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at market value	<u>272,728</u>	<u>257,418</u>

16. PLEDGED BANK DEPOSITS

As at 31 December 2017, the Group has placed a bank deposit of HK\$40,000,000 (2016: HK\$40,000,000) at an interest rate of 0.83% (2016: 0.7%) per annum to a bank to secure banking facilities of HK\$100,000,000 (2016: HK\$100,000,000) which included the drawn bank borrowings of HK\$40,000,000 (2016: HK\$40,000,000). Details of the bank borrowings are set out in Note 19.

17. BANK BALANCES AND CASH

Bank balances and cash comprise of cash and short-term bank deposits held by the Group at market interest rates ranging from 0.001% to 1.09% (2016: 0.001% to 1.03%) per annum with an original maturity of three months or less.

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited (“VC Brokerage”), VC Futures Limited and VC Capital Limited act as trustees that result in the holding of clients’ monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated statement of financial position. As at 31 December 2017, the Group maintained segregated accounts at a clearing house of approximately HK\$2,033,000 (2016: HK\$2,026,000) and at other authorised institutions of approximately HK\$267,970,000 (2016: HK\$257,254,000) in conjunction with its securities, futures and options brokering and dealing business, and corporate financial advisory business as a result of the normal business transactions, which are not otherwise dealt with in these consolidated financial statements.

18. ACCOUNTS PAYABLE

	2017	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Accounts payable arising from dealing in securities:		
Clearing house	15,762	19,874
Cash clients	20,245	6,827
Margin clients	884	180
	<u>36,891</u>	<u>26,881</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 trade 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 the Directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

As at 31 December 2017, accounts payable of approximately HK\$18,000 are due to the directors of the Group and the close family members of these directors in respect of transactions in securities undertaken for their accounts (2016: Nil).

19. SHORT-TERM BANK BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Secured and guaranteed	<u>40,000</u>	<u>40,000</u>

The short-term bank borrowings, which were secured by pledged bank deposits and the Company's corporate guarantee, bore an interest rate at the bank's cost of funding plus 2% per annum as at 31 December 2017 (2016: the bank's cost of funding plus 2% per annum). Details of the pledged bank deposits are disclosed in Note 16.

As at 31 December 2017, the Group has unused banking facilities of HK\$60,000,000 (2016: HK\$60,000,000), including an amount of HK\$50,000,000 (2016: HK\$50,000,000) for short-term money market loan for margin financing business and an amount of HK\$10,000,000 (2016: HK\$10,000,000) for drawings against uncleared cheques.

The repayment date of the short-term bank borrowings is 4 January 2018 (2016: 4 January 2017).

20. SHARE CAPITAL

	Issued and fully paid ordinary shares	
	Number of shares	Amount <i>HK\$'000</i>
At 1 January 2016	552,216,829	639,851
Issue of shares by placement	110,000,000	95,700
Transaction costs attributable to issue of shares by placement	–	(1,204)
Issue of shares upon exercise of share options	<u>400,000</u>	<u>905</u>
At 31 December 2016	662,616,829	735,252
Issue of shares by placement (<i>Note</i>)	132,000,000	120,120
Transaction costs attributable to issue of shares by placement	<u>–</u>	<u>(9)</u>
At 31 December 2017	<u>794,616,829</u>	<u>855,363</u>

Note:

On 28 July 2017, the Company entered into a placing agreement with a placing agent regarding the placement of, on a best effort basis, up to an aggregate of 132,000,000 new shares of the Company to not less than six independent parties at a placing price of HK\$0.91 per new share. The placement was completed on 18 August 2017 and a total of 132,000,000 new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 25 May 2017. The proceeds from the placement amounted to approximately HK\$120.1 million. The new shares rank pari passu with the existing shares in all respects.

21. COMMITMENTS

(a) Capital commitments

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Capital contribution to a joint venture (<i>Note</i>)	525,056	534,000
Purchase of property and equipment	470	–
	<u>525,526</u>	<u>534,000</u>

Note:

On 21 July 2016, VC Brokerage entered into a joint venture agreement (the “Joint Venture Agreement”) with three independent third parties to establish a joint venture in Guangxi, the PRC, in which the principal activity is securities broking (the “JV Company”). Pursuant to the Joint Venture Agreement, VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$525 million), representing 44.5% shareholding in the JV Company.

On the same date, the Company entered into a placing agreement with a placing agent to procure on a best effort basis, to not less than six independent parties, to subscribe for the convertible bonds in the aggregate principal amount of up to HK\$850 million during the placing period, to finance the investment of the abovementioned JV Company.

The Joint Venture Agreement will become effective upon the Company and VC Brokerage having obtained the approval and authorisation from the relevant regulatory authorities in relation to the Joint Venture Agreement. As at 31 December 2017 and up to the date of authorising the consolidated financial statements, both the Company and VC Brokerage have not yet obtained the relevant approval and authorisation.

(b) Commitments under operating leases

As at 31 December 2017 and 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	10,267	10,661
In the second to fifth years inclusive	1,233	11,165
	11,500	21,826

Operating lease payments represent rentals payable by the Group for its office premises and car parking spaces. As at 31 December 2017, rentals are fixed for lease terms of 1 to 3 years (2016: 1 to 3 years).

22. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events after the reporting period:

- (a) On 22 September 2017, the Company entered into a legally binding memorandum of understanding (the “MOU”) with an independent third party (the “Party”) in relation to the proposed formation of a joint venture company to act as a sponsor to a limited partnership fund (the “Fund”) which will focus on infrastructure projects (the “Proposed Joint Venture”). The MOU is subject to the parties entering into formal agreements to set out the definitive terms of the Proposed Joint Venture (the “Definitive Agreements”). The initial cost required for setting up of the joint venture company and the Fund shall be borne equally between the Company and the Party, provided that in any event, the Company’s provision of the initial cost shall be limited to HK\$7,500,000. As at 31 December 2017, the Company had paid an amount of HK\$5,000,000 for initial cost, which was included in current other deposits on the consolidated statement of financial position and shall be reimbursed if the Fund can be successfully closed.

The MOU was expired on 21 December 2017. As at 31 December 2017, the MOU was under negotiation for extension. On 5 January 2018, the Company and the Party entered into an extension letter to extend the exclusivity period of the MOU to 30 June 2018. As at the date of authorising the consolidated financial statements, the parties had not entered into the Definitive Agreements.

- (b) On 18 October 2017, the Company entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with Pacific Alliance Limited (the “Vendor”), pursuant to which the Company agreed to purchase, and the Vendor agreed to sell, the 3-year two per cent. unsecured redeemable convertible bonds in the principal amount of HK\$153,585,000 issued by China Fortune Financial Group Limited (“China Fortune”) on 30 March 2017 (the “Convertible Bonds”) for an aggregate consideration of HK\$400,000,000 (the “Acquisition”). The consideration is satisfied by way of cash of HK\$40,000,000 and issue of the convertible bonds of HK\$360,000,000 by the Company (the “VC Convertible Bonds”) at the completion date of the Acquisition. The Convertible Bonds are convertible into 2,559,750,000 conversion shares at the initial conversion price of HK\$0.06 per conversion share (subject to adjustments). The VC Convertible Bonds is a 3-year zero interest unsecured redeemable convertible bonds in the principal amount of HK\$360,000,000, which are convertible into 288,000,000 conversion shares at the initial conversion price of HK\$1.25 per conversion share (subject to adjustments). It is the intention of the Group to hold the Convertible Bonds for trading purposes with a view to achieve capital gains through disposal of the Convertible Bonds or the conversion shares of the Convertible Bonds. The transaction had been approved by the shareholders of the Company during the extraordinary general meeting held on 27 December 2017. As at 31 December 2017, certain conditions for completion of the transaction were not fulfilled. The transaction was completed on 8 January 2018. Details of the potential proforma financial effects of the transaction to the Group’s consolidated financial statements was disclosed in the Company’s circular dated 7 December 2017.
- (c) On 8 March 2018, the Company entered into a sale and purchase agreement (the “Agreement”) with CVP Financial Group Limited (the “Vendor”) pursuant to which the Company intends to acquire and the Vendor intends to sell 18% of the entire issued share capital of Hackett Enterprises Limited (the “Target Company”) at a consideration of HK\$160,000,000 (the “Consideration”). The Target Company and its subsidiaries are principally engaged in the provision of loan financing and financial consultancy services in the PRC and the provision of money lending services in Hong Kong. The Consideration will be settled by issue of 3-year two per cent. unsecured convertible bonds by the Company in the principal amount of HK\$160,000,000, which are convertible into 123,076,923 conversion shares of the Company at the initial conversion price of HK\$1.3 per conversion share (subject to adjustments). The Agreement will become effective upon the approval from the shareholders of the Company and the fulfilment of other conditions. Details of the transaction was disclosed in the Company’s announcement dated 8 March 2018.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 2017, which were contained in Appendix 14 of the Listing Rules, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. During the year ended 31 December 2017, Mr. Tin Ka Pak, Timmy, the Chief Executive Officer (the "**CEO**") of the Company, has taken up the roles and functions of the Chairman and the CEO. The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and the CEO are performed by the same individual. It also believes that it is in the best interest of the Group with Mr. Tin Ka Pak, Timmy to assume the roles of the Chairman and the CEO as which the Board's decision could be made effectively.

Although the Board believes that Mr. Tin Ka Pak, Timmy is the best candidate to take up the roles and functions of the Chairman and the CEO, it always wants to be the best of the best, so to comply with the CG Code. On 22 January 2018, Mr. Chung Chi Shing, Eric, the Executive Director of the Company, was appointed as the Chairman of the Company. Following the appointment of Mr. Chung Chi Shing, Eric, the Company has complied with code provision A.2.1. However, due to other business development which requires more of his dedication, Mr. Chung Chi Shing, Eric resigned as the Chairman and the Executive Director of the Company on 2 March 2018. On the same date, Mr. Fu Yiu Man had been appointed as the Chairman and the Executive Director of the Company.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors of the Company are not appointed for specific term. However, under the Article 97 of the Articles of Association of the Company, all Directors, including Non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders, and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

The Company has set up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Executive Committee;
- b. Audit Committee;
- c. Remuneration Committee; and
- d. Nomination Committee.

The terms of reference of all the aforesaid board committees are given at the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors of the Company, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Wong Kam Choi, Kerry, MH and Mr. Siu Miu Man, Simon. 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 2017 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 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or brought back any of the Company's listed securities.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's Annual Report for the year ended 31 December 2017 (the "**2017 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 2017 will be held at end of April 2018. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2017 Annual Report in due course, which will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six Executive Directors, namely, Mr. Fu Yiu Man (Chairman), Mr. Zhou, Francis Bingrong (Vice Chairman), Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. Lin Hoi Kwong, Aristo, Mr. Xie Jintai and Ms. Shen Li; and three Independent Non-executive Directors, namely, Mr. Wong Chung Kin, Quentin, Mr. Wong Kam Choi, Kerry, MH and Mr. Siu Miu Man, Simon.

By Order of the Board of
Value Convergence Holdings Limited
Fu Yiu Man
Chairman & Executive Director

Hong Kong
27 March 2018