



Delivering Value through Excellence

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Interim Report
2008



VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code : 8101

www.valueconvergence.com

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to VALUE CONVERGENCE HOLDINGS LIMITED. The directors of VALUE CONVERGENCE HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



The board of directors (the “Board”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group” or “Value Convergence”) for the three months ended 30th June 2008 (“Three-Month Period”) and six months ended 30th June 2008 (“Six-Month Period”), together with comparative figures of the corresponding periods in 2007 or preceding quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Value Convergence is an established financial services group committed to delivering premium financial services and products that can fulfill the various investment and wealth management needs of clients in the Greater China region. The Group’s expertise includes securities, futures and options brokering, asset management, as well as corporate finance services in relation to sponsoring and underwriting initial public offerings and mergers and acquisitions.

In the first half of 2008, the Hong Kong stock market was adversely affected by uncertainties in global financial markets stemming from the US sub-prime mortgage crisis, the global liquidity crunch and the softened Mainland equity market. Accordingly, the Group’s unaudited consolidated revenues for the Three-Month Period and the Six-Month Period were approximately HK\$31.9 million and HK\$72.8 million respectively, down by about 58% and 45.7% compared with the corresponding periods in 2007 (three months and six months ended 30th June 2007: HK\$76.2 million and HK\$133.9 million respectively). The Group’s unaudited consolidated profit before taxation for the Three-Month Period and the Six-Month Period were approximately HK\$1.9 million and HK\$9.8 million respectively, about HK\$7.8 million less and HK\$9.5 million less than that in 2007 (three months and six months ended 30th June 2007: HK\$9.7 million and HK\$19.3 million respectively).

With the highly volatile market dampening investment sentiment, the average daily turnover of the Hong Kong stock market in the second quarter of 2008 was approximately HK\$76.1 billion, about 15.5% more than the approximately HK\$65.9 billion in the same period in 2007, but about 22.9% less than the approximately HK\$98.7 billion in the preceding quarter.

Brokerage

The lower average daily turnover of the equity market in the first half of this year relative to the 4th quarter of last year reflected weakened investor confidence. Accordingly, performance of the Group’s brokerage business was affected. During the Six-Month Period, gross brokerage commission income decreased by 44.6% or about HK\$38.7 million to HK\$47.9 million compared with the same period last year. Net brokerage commission income also reported 32.6% decrease. Overall, the broking segment recorded revenues of approximately HK\$47.9 million, but suffered a loss of HK\$0.8 million for the Six-Month Period (six months ended 30th June 2007: approximately HK\$86.6 million and an operating profit of HK\$14.1 million respectively).

As for margin and other financing business, interest income decreased approximately 45% to HK\$20.6 million for the Six-Month Period against about HK\$37.6 million for the six months ended 30th June 2007. Relying less on external borrowings during the review period, the net interest income grew by about 14.2%. Overall, the Group's margin and other financing segment reported an operating profit of approximately HK\$12.9 million for the Six-Month Period, 19.7% more than the HK\$10.8 million recorded for the corresponding period last year.

Corporate Finance and Others

The Group's corporate advisory and related businesses, including asset management, recorded revenues of approximately HK\$4.2 million and operating loss of approximately HK\$5.5 million during the Six-Month Period (six months ended 30th June 2007: HK\$9.7 million and an operating loss of HK\$3.6 million respectively). The decline in performance was mainly due to the result of a lackluster fund raising market during the Six-Month Period.

Asset Management

The Group is in the process of setting up a real estate private equity fund that will focus on development of residential properties in Macau. The Group, in partnership with a renowned international financial institution, will manage the fund. This initiative will diversify the Group's product portfolio and enhance its fee-based revenue stream, and in turn contribute to its overall financial performance in both short and long run.

Liquidity and financial resources/capital structure

The Group finances its business operations with cash revenues generated from operating activities, short-term bank loans, bank overdrafts and shareholders' loans.

The Group held banking facilities of HK\$185 million from various banks as at 30th June 2008 (31st December 2007: HK\$205 million) and HK\$60 million (31st December 2007: HK\$60 million) of these banking facilities was secured by margin clients' listed securities. As at 30th June 2008, the Group had utilised HK\$10 million of its unsecured banking facilities (31st December 2007: Nil) and the loans withdrawn were repaid on 3rd and 4th July 2008 respectively.

As at 30th June 2008, the Group had borrowed HK\$241.9 million (31st December 2007: HK\$241.9 million) from its major shareholder. The loans bear interest at prime rate minus 2% per annum or HIBOR plus 1.25%-2% per annum and are repayable upon written notice from the major shareholder. The major shareholder has requested for repayment of loans, and the Group has agreed to repay HK\$150 million in August 2008, HK\$50 million in November 2008 and the remaining balance in February 2009. The repayment will be met by the Group's internal resources and will not have any adverse effect on the Group's operations.

As at 30th June 2008, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK\$591.9 million (31st December 2007: HK\$588.7 million), HK\$394.2 million (31st December 2007: HK\$293.4 million) and HK\$609.2 million (31st December 2007: HK\$605.5 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 2.94 (31st December 2007: 2.66).

The Group adopts a prudent treasury policy. All borrowings and the majority of bank balances and cash are denominated in Hong Kong dollars and put in short-term fixed deposits. The Group intends to maintain minimum exposure to foreign exchange risks.

As at 30th June 2008, the total number of issued ordinary shares of the Company was 371,169,772 of HK\$0.10 each (31st December 2007: 369,957,451 shares of HK\$0.10 each). The increase in issued shares was the result of exercise of share options of the Company during the Six-Month Period.

Material acquisitions and disposal of subsidiaries, significant investments and their performance

During the Six-Month Period, the Group did not make any material acquisitions, disposal, significant investments or capital commitments.

Headcount/Employees' information

As at 30th June 2008, the Group had a total of 124 employees, of whom 119 were stationed in Hong Kong and 5 in the PRC.

Staff costs (including directors' emoluments and staff sales commission) amounted to approximately HK\$42.7 million for the six months ended 30th June 2008 (six months ended 30th June 2007: HK\$69.3 million). The drop was mainly due to decrease in staff sales commission expense by approximately HK\$22 million alongside the decline in turnover during the review period. The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and Mandatory Provident Fund Scheme, other staff benefits include medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programmes are also provided to employees from time to time.

Charges on group assets

As at 30th June 2008, the Group had not charged or pledged any of its assets (31st December 2007: Nil).

Gearing ratio

As at 30th June 2008, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loans from the major shareholder) over shareholders' funds, was 0.4 times (31st December 2007: 0.4 times).

Foreign exchange exposure

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimise exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure is thus minimal and no hedging against foreign currency exposure has been necessary.

Future plans for material investments or capital assets

As mentioned above, the Group is in the process of setting up a real estate private equity fund that will focus on development of residential properties in Macau.

Contingent liabilities

As at 30th June 2008, the Company provided guarantees of HK\$160 million (31st December 2007: HK\$160 million) to banks in respect of banking facilities granted to the subsidiary, VC Brokerage Limited.

OUTLOOK

Threats of deterioration of the equity market and the global economy have continued to weigh down investor confidence. As expected, the market was very volatile in the first half of 2008. The Hang Seng Index fell 2,061 points on 22nd January 2008 and climbed 2,332 points the next day, both single-day movements made local stock market history. Starting at 27,632 in the beginning of 2008, the Hang Seng Index eventually closed at 22,102 on 30th June 2008, representing an over 20% fall in the benchmark HSI.

Market conditions are expected to continue to be challenging with uncertainties bred by the US economic slowdown, rising commodity prices, escalating inflation and the Chinese Government tightening macroeconomic austerity measures. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial services business. Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Group will continue to enhance its product and service offerings to cater for clients' diverse and growing needs. The Group will also actively pursue strategic acquisitions that can enable it to capture new business opportunities in the rapidly growing financial markets in the Greater China region and broaden its customer base, revenues and profit fundamentals. The Group's ultimate goal is to deliver ever-higher shareholder value.

The Company has on 2nd July 2008 submitted an application to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the transfer of listing of all its issued shares of par value HK\$0.10 each from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange (the “Transfer of Listing”) pursuant to the new streamlined transfer of listing procedures under Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange, which has come into effect on 1st July 2008. The Board believes that the Transfer of Listing will help to enhance the profile of the Company and increase the trading liquidity of the shares of the Company and its attractiveness to institutional and retail investors. The Board considers that the Transfer of Listing will also be beneficial to the capital-raising ability of the Company and the future growth and business development of the Group. The implementation of the Transfer of Listing is subject to, among others, the granting of relevant approval by the Stock Exchange. The Company will make further announcements in relation to the progress of the Transfer of Listing.

By Order of the Board of
Value Convergence Holdings Limited
Ho, Lawrence Yau Lung
Chairman

Hong Kong, 4th August 2008

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th June 2008

	Note(s)	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	(2)	31,932	76,165	72,757	133,902
Other income		765	613	1,581	1,056
Net gain/(loss) on trading investments		–	874	–	(94)
Staff costs	(3)	(19,906)	(41,625)	(42,738)	(69,288)
Depreciation of property, plant and equipment	(8)	(575)	(425)	(1,066)	(749)
Amortisation of trading rights		(127)	(126)	(253)	(253)
Commission expenses		(1,531)	(4,153)	(2,592)	(9,587)
Finance costs	(5)	(1,894)	(13,603)	(5,247)	(21,109)
Other operating expenses		(6,792)	(7,973)	(12,602)	(14,561)
Profit before taxation	(4)	1,872	9,747	9,840	19,317
Taxation charge	(6)	(574)	(2,697)	(2,224)	(4,800)
Profit for the period		1,298	7,050	7,616	14,517
Earnings per share (HK cents)					
Basic	(7)	0.35	2.78	2.06	5.72
Diluted	(7)	0.35	2.70	2.04	5.59

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

		Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
	Note(s)		
Non-current assets			
Goodwill		8,151	8,151
Trading rights		1,012	1,266
Property, plant and equipment	(8)	3,456	2,750
Deferred tax assets		1,100	1,100
Statutory deposits		2,988	2,988
Other intangible assets		547	547
		<u>17,254</u>	<u>16,802</u>
Current assets			
Accounts receivable	(9)	473,275	614,893
Prepayments, deposits and other receivables		27,424	34,573
Amount due from the major shareholder		1,219	–
Amounts due from related companies		200	206
Bank balances and cash		394,238	293,389
		<u>896,356</u>	<u>943,061</u>
Current liabilities			
Accounts payable	(10)	17,075	47,750
Accrued liabilities and other payables		14,508	30,879
Short-term bank borrowings		10,000	–
Amount due to the major shareholder		–	11,662
Amounts due to related companies		11,806	14,138
Loans from the major shareholder		241,900	241,900
Taxation payable		9,131	8,047
		<u>304,420</u>	<u>354,376</u>
Net current assets		<u>591,936</u>	<u>588,685</u>
Total assets less current liabilities		<u>609,190</u>	<u>605,487</u>
Capital and reserves			
Share capital	(11)	37,117	36,996
Shares held for Share Purchase Scheme	(12)	(4,813)	–
Reserves		576,886	568,491
Total equity		<u>609,190</u>	<u>605,487</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2008

	Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits	Share option reserve	Shares held for Share Purchase Scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	25,374	9,074	123,758	(240)	35,168	419	-	193,553
Exchange difference arising on translation of financial statements of an overseas subsidiary	-	-	-	(139)	-	-	-	(139)
Net expense recognised directly in equity	-	-	-	(139)	-	-	-	(139)
Profit for the period	-	-	-	-	14,517	-	-	14,517
Total recognised income and expense for the period	-	-	-	(139)	14,517	-	-	14,378
Exercise of share options	12	65	-	-	-	-	-	77
Recognition of equity-settled share-based payment	-	-	-	-	-	501	-	501
Shares purchased for Share Purchase Scheme	-	-	-	-	-	-	-	-
At 30th June 2007	<u>25,386</u>	<u>9,139</u>	<u>123,758</u>	<u>(379)</u>	<u>49,685</u>	<u>920</u>	<u>-</u>	<u>208,509</u>

	Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits	Share option reserve	Shares held for Share Purchase Scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2008	36,996	358,728	123,758	(537)	85,526	1,016	-	605,487
Exchange difference arising on translation of financial statements of an overseas subsidiary	-	-	-	(134)	-	-	-	(134)
Net expense recognised directly in equity	-	-	-	(134)	-	-	-	(134)
Profit for the period	-	-	-	-	7,616	-	-	7,616
Total recognised income and expense for the period	-	-	-	(134)	7,616	-	-	7,482
Exercise of share options	121	658	-	-	-	-	-	779
Recognition of equity-settled share-based payment	-	-	-	-	-	256	-	256
Share issue expenses	-	(1)	-	-	-	-	-	(1)
Shares purchased for Share Purchase Scheme	-	-	-	-	-	-	(4,813)	(4,813)
At 30th June 2008	<u>37,117</u>	<u>359,385</u>	<u>123,758</u>	<u>(671)</u>	<u>93,142</u>	<u>1,272</u>	<u>(4,813)</u>	<u>609,190</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2008

	Unaudited	
	Six months ended	
	30th June	
	2008	2007
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	97,790	(1,228,717)
Net cash used in investing activities	(2,911)	(1,342)
Net cash from financing activities	5,966	1,215,899
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	100,845	(14,160)
Cash and cash equivalents at the beginning of period	293,389	67,916
Effect of change in foreign currency translation	4	17
	<hr/>	<hr/>
Cash and cash equivalents at the end of period, represented by bank balances and cash	394,238	53,773
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2008

1. Basis of preparation and significant accounting policies

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2007 except as described below.

For the current interim period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA which are effective for accounting periods beginning on or after 1st March 2007 and 1st January 2008. The adoption of the new interpretations has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

The Group has not early applied the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards, Amendment and Interpretation (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKFRS 2 (Amendment)	Share-based payment-Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ³
HKFRS 8	Operating segments ¹
HK(IFRIC) – Int 13	Customer loyalty programmes ²

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st July 2008.

³ Effective for annual periods beginning on or after 1st July 2009.

The directors of the Company anticipate that the application of these new HKFRSs will have no material effects on the results and the financial position of the Group.

2. Revenues and segment information

Revenues principally arise from financial services business comprising provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services; and securities, futures and options broking and dealing.

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Brokerage commission from dealing in securities and futures and options contracts	21,173	50,532	47,953	86,630
Underwriting, sub-underwriting, placing and sub-placing commission	597	1,376	937	5,347
Arrangement, management, advisory and other fee income	1,740	1,420	3,310	4,330
Interest income from clients	8,422	22,837	20,557	37,595
	31,932	76,165	72,757	133,902

Primary reporting format – business segments

The Group has been engaged in financial services business and classified the business segments into “broking”, “margin and other financing”, and “corporate advisory and others”. Details of these three business segments are summarised as follows:

- (i) the broking segment engages in securities, futures and options broking and dealing;
- (ii) the margin and other financing segment engages in the provision of margin financing, commercial loans to corporate customers and money lending services; and
- (iii) the corporate advisory and others segment engages in the provision of corporate advisory, placing and underwriting services, proprietary trading and asset management services.

Six months ended 30th June 2008

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	47,953	20,557	4,247		72,757
Segment results	(769)	12,897	(5,480)		6,648
Unallocated income					14,272
Unallocated costs					(11,080)
Profit before taxation					9,840
Taxation charge					(2,224)
Profit for the period					7,616
Other segment information:					
Depreciation of property, plant and equipment	487	-	371	208	1,066
Amortisation of trading rights	253	-	-	-	253

Six months ended 30th June 2007

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	86,630	37,595	9,677		133,902
Segment results	14,114	10,778	(3,599)		21,293
Unallocated income					11,719
Unallocated costs					(13,695)
Profit before taxation					19,317
Taxation charge					(4,800)
Profit for the period					14,517
Other segment information:					
Depreciation of property, plant and equipment	357	-	336	56	749
Amortisation of trading rights	253	-	-	-	253

Secondary reporting format – geographical segments
Six months ended 30th June 2008 and 2007

No geographical segment analysis is presented for the six months ended 30th June 2008 and 2007 respectively as over 90% of the Group's revenues and segment results are derived from Hong Kong.

3. Staff costs (including directors' emoluments)

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff commission	10,828	27,446	25,165	47,092
Wages and salaries	7,971	13,096	15,362	20,303
Staff welfare	435	427	1,045	718
Recruitment costs	263	129	355	130
Pension costs – contributions to defined contribution plans	281	286	570	553
Forfeiture of pension contributions	–	(9)	(15)	(9)
Recognition of equity-settled share-based payment	128	250	256	501
	19,906	41,625	42,738	69,288

4. Profit before taxation

Profit before taxation is stated after (crediting) and charging the following:

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	298	204	596	572
Operating leases in respect of land and buildings	1,445	1,242	2,888	2,325
Net exchange gain/(loss)	8	(163)	(133)	(222)
Impairment allowance on accounts receivable	310	–	66	–

5. Finance costs

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	46	10,060	1,050	14,198
Interests on loans from the major shareholder	1,848	3,543	4,197	6,911
	1,894	13,603	5,247	21,109

6. Taxation charge

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the three months and six months ended 30th June 2008. The amount of taxation charged to the consolidated income statement represents:

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
– Hong Kong Profits Tax	574	2,697	2,224	3,119
Deferred taxation	–	–	–	1,681
	574	2,697	2,224	4,800

As at 30th June 2008, the Group had estimated unused tax losses of HK\$134,103,000 (30th June 2007: HK\$122,912,000) to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statement to the extent that realisation of the related tax benefit through future taxable profits is probable. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Earnings for the purposes of basic and diluted earnings per share	1,298	7,050	7,616	14,517
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares less shares held for Share Purchase Scheme for the purposes of basic earnings per share	370,760	253,860	370,577	253,831
Effect of dilutive potential ordinary shares:				
Share options	2,219	6,932	2,519	6,060
Weighted average number of ordinary shares for the purposes of diluted earnings per share	372,979	260,792	373,096	259,891

8. Property, plant and equipment

	As at	As at
	30th June	31st December
	2008	2007
	HK\$'000	HK\$'000
Carrying value, beginning of period/year	2,750	2,463
Additions	1,771	1,911
Depreciation	(1,066)	(1,625)
Exchange difference	1	1
Carrying value, end of period/year	3,456	2,750

9. Accounts receivable

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in (Note a):		
– Securities transactions		
Clearing houses and brokers	2,118	31,317
Cash clients	195,797	211,099
Margin clients	273,722	370,907
– Futures and options contracts transactions		
Brokers	2	26
HKFE Clearing Corporation Limited	41	56
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services (Note b)	1,595	1,488
	473,275	614,893

Notes:

- (a) Credit limit is approved for each client by designated approvers according to the clients' credit worthiness. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand. Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The decision for rate changes is on management's discretion subject to notification to clients. Securities are assigned with specific margin ratios for calculating their margin values. Loans granted to securities margin clients are further subject to the discounted value of securities deposited with reference to these specific margin ratios. Additional funds or collateral are required if the loan outstanding exceeds the eligible margin value of securities deposited. As at 30th June 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$1,645,076,000 (31st December 2007: HK\$2,206,608,000). No aging analysis on margin clients' receivables is disclosed as, in the opinion of the Directors, an aging analysis is not meaningful in view of the nature of the business of securities margin financing. Except for the loans to margin clients, all accounts receivable arising from the business of dealing in securities transactions are aged as follows:

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Within 30 days	145,385	186,196
31-90 days	24,041	51,230
Over 90 days	28,532	5,072
	197,958	242,498

- (b) The accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers. The aging analysis of these receivables is as follows:

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Within 30 days	477	580
31-90 days	1,010	79
Over 90 days	108	829
	<hr/> 1,595 <hr/>	<hr/> 1,488 <hr/>

10. Accounts payable

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities transactions (<i>Note a</i>):		
Cash clients (<i>Note b</i>)	15,590	43,996
Margin clients	1,485	3,628
Accounts payable arising from the ordinary course of business of corporate advisory, placing and underwriting services (<i>Note c</i>):	<hr/> – <hr/>	<hr/> 126 <hr/>
	<hr/> 17,075 <hr/>	<hr/> 47,750 <hr/>

Notes:

- (a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after trade date. These accounts payable are repayable on demand. Therefore, no aging analysis is disclosed as, in the opinion of Directors, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after trade date.
- (b) Included in accounts payable to cash clients was approximately HK\$1,000 (31st December 2007: HK\$37,000) due to key management personnel, directors and close member of directors, in respect of transactions in securities undertaken for their accounts.
- (c) As at 30th June 2008, there was no accounts payable arising from corporate advisory, placing and underwriting services.

11. Share capital

	Authorised Ordinary shares of HK\$0.10 each	
	No. of shares	Amount HK\$'000
At 31st December 2007 and 30th June 2008	10,000,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	No. of shares	Amount HK\$'000
At 1st January 2008	369,957,451	36,996
Exercise of share options	1,212,321	121
	<hr/>	<hr/>
At 30th June 2008	371,169,772	37,117
	<hr/> <hr/>	<hr/> <hr/>

12. Shares held for Share Purchase Scheme

As at 30th June 2008, The VC Share Purchase Scheme Trust acquired 3,712,000 VC shares through purchase on the open market for the Share Purchase Scheme. The total amount paid to acquire the shares during the Six-Month Period was HK\$4,813,000 and has been deducted from shareholders' equity (31st December 2007: Nil).

13. Capital commitments

As at 30th June 2008, the Group did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (31st December 2007: Nil).

14. Related parties transactions

During the six months ended 30th June 2008, the Group entered into the following transactions:

	Three months ended		Six months ended	
	30th June		30th June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Technical, network and other service fees charged by fellow subsidiaries	662	718	1,382	1,358
Purchases of computer hardware and software from fellow subsidiaries	-	-	7	-
Brokerage commission income, interest income earned from certain directors of the Group or their relatives	70	44	136	86
Brokerage commission income/interest income earned from a company with a common director	-	1,166	-	2,043
Interest expenses charged on loans from the major shareholder	1,848	3,543	4,197	6,911
Financial advisory fees charged to the major shareholder	-	150	80	190
	1,848	3,543	4,197	6,911

The balances with related parties are set out on the consolidated balance sheet.

INTERIM DIVIDEND

No dividends had been paid or declared by the Company for the six months ended 30th June 2008 (six months ended 30th June 2007: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30th June 2008 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2008, the relevant interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in shares of the Company (the "Shares")

Name of Directors	Nature of interests	Notes	Number of Shares interested	Approximate percentage of Shares interested
Mr. Ho, Lawrence Yau Lung	Corporate	(2)	165,163,008	44.50%
	Personal	(4)	491,057	0.13%
Dr. Lee Jun Sing	Corporate	(3)	6,299,702	1.70%
	Personal	(4)	491,057	0.13%
Mr. Patrick Sun	Personal	(4)	2,400,000	0.65%

Notes:

- As at 30th June 2008, the total number of issued shares of the Company was 371,169,772.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 Shares as a result of him being beneficially interested in approximately 33.79% of the issued share capital of Melco International Development Limited which in turn holds approximately 43.36% of the issued share capital of the Company; and (ii) 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.14% of the issued share capital of the Company.

3. Dr. Lee Jun Sing is taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 1.70% of the issued share capital of the Company.
4. The personal interests of the relevant Directors represent their respective derivative interests in the Company comprising the share options as more particularly mentioned in sub-section headed "Derivative interests in the Company" below.

(ii) Derivative interests in the Company

Pursuant to the share option scheme adopted by the Company on 29th November 2001 (the "Share Option Scheme"), certain Directors of the Company were granted options by the Company to subscribe for the Shares. Movements of the options, which have been granted by the Company to the Directors, during the period are set out below:

Name of Directors	Date of grant	Exercise price per Share HK\$	Number of shares options					Expiry date
			Outstanding as at 01.01.2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 30.06.2008	
Mr. Ho, Lawrence Yau Lung	09.07.2002	1.00	491,057	-	-	-	491,057	08.07.2012
Dr. Lee Jun Sing	09.07.2002	1.00	491,057	-	-	-	491,057	08.07.2012
Mr. Patrick Sun	27.12.2006	1.292	2,400,000	-	-	-	2,400,000	26.12.2016

During the period, none of the Directors exercised their options.

Save as disclosed above, as at 30th June 2008, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2008, so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Notes	Number of Shares held	Approximate shareholding percentage
Melco Financial Group Limited	Beneficial owner	(2)	160,930,381	43.36%
Melco International Development Limited	Held by controlled corporation	(2)	160,930,381	43.36%
Ms. Lo Sau Yan, Sharen	Family	(3)	165,654,065	44.63%
ASM Asia Recovery (Master) Fund	Beneficial owner	(4)	23,500,000	6.33%
Argyle Street Management Limited	Investment manager	(4)	27,000,000	7.27%
Argyle Street Management Holdings Limited	Held by controlled corporations	(4)	27,000,000	7.27%
Mr. Chan Kin	Held by controlled corporations	(4)	27,000,000	7.27%

Notes:

- As at 30th June 2008, the total number of issued shares of the Company was 371,169,772.
- Melco International Development Limited ("Melco") is taken to be interested in 160,930,381 Shares as a result of Melco being beneficially interested in the entire issued share capital of Melco Financial Group Limited.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the Shares in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.
- 23,500,000 Shares are held by ASM Asia Recovery (Master) Fund directly as beneficially owner. Argyle Street Management Limited ("ASM"), as investment manager, through ASM Asia Recovery (Master) Fund and another managed fund, is indirectly interested in an aggregate of 27,000,000 Shares. ASM is a wholly-owned subsidiary of Argyle Street Management Holdings Limited ("ASM Holdings") which is held by Mr. Chan Kin as at 44.45%. Accordingly, ASM Holdings and Mr. Chan Kin are taken to be interested in the 27,000,000 Shares held by ASM.

Save as disclosed above, as at 30th June 2008, so far as is known to the Directors, there is no other person who had an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 29th November 2001, the shareholders of the Company approved the adoption of a share option scheme (the "Share Options Scheme") which superseded the previous share option scheme of the Company adopted on 14th March 2001. Pursuant to the Share Option Scheme, the Directors may, at their discretion, grant to any participants share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein. Movements of the share options during the period are as follows:

Categories of grantees	Date of grant	Exercise price per Share HK\$	Number of shares options				Outstanding as at 30.06.2008	Share options duration
			Outstanding as at 01.01.2008	Granted during the period	Exercised during the period	Lapsed/cancelled during the period		
Directors ¹	09.07.2002	1.00	982,114	-	-	-	982,114	09.07.2002 – 08.07.2012
Directors ²	27.12.2006	1.292	2,400,000	-	-	-	2,400,000	27.12.2006 – 26.12.2016
Employees ¹	09.07.2002	1.00	24,942	-	-	-	24,942	09.07.2002 – 08.07.2012
Employees ¹	25.03.2004	0.64	3,512,500	-	(830,000)	-	2,682,500	25.03.2004 – 24.03.2014
Others ¹	09.07.2002	1.00	378,513	-	(9,821)	-	368,692	09.07.2002 – 08.07.2012
Others ¹	25.03.2004	0.64	970,000	-	(372,500)	-	597,500	25.03.2004 – 24.03.2014
Total			8,268,069	-	(1,212,321)	-	7,055,748	

Notes:

1. Commencing from the date of grant up to the date falling six months thereafter, up to 50% of the Shares comprised in the options can be exercised. Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date grant, all the Shares comprised in the options which were not previously exercised can be exercised.
2. Commencing from 27th December 2007 to 26th December 2016, up to 800,000 Shares comprised in the options can be exercised. Commencing from 27th December 2008 to 26th December 2016, up to 1,600,000 Shares comprised in the options which were not previously exercised can be exercised. Commencing from 27th December 2009 to 26th December 2016, all the Shares comprised in the options which were not previously exercised can be exercised.

Details of the grant of share options to the Directors of the Company are disclosed in the sub-section headed “Derivative interests in the Company” under the section of “Directors’ interests in shares, underlying shares and debentures” above.

In respect of the share options exercised during the six months ended 30th June 2008, the weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK\$1.46.

A summary of the major terms of the Share Option Scheme is set out at pages 76-85 of the circular of the Company dated 12th November 2001.

SHARE AWARD SCHEMES

In March 2008, the Company established two share incentive award schemes, namely The VC Share Purchase Scheme Trust (the “Share Purchase Scheme”) and The VC Share Award Scheme Trust (the “Share Subscription Scheme”). Directors of the Company and any subsidiary and other connected persons will only be entitled to participate in the Share Purchase Scheme. The Shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognize the contributions of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group. During the six months ended 30th June 2008, no awards have been made to any directors and employees of the Company or its subsidiaries under these two schemes.

Summaries of the major terms of the Share Purchase Scheme and the Share Subscription Scheme are set out at the announcement of the Company dated 31st March 2008.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules for the six months ended 30th June 2008.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance. During the six months ended 30th June 2008, the Company has applied the principles and complied with all the requirements set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 15 of the GEM Listing Rules, with two deviations mentioned below:

Code provision A.4.1 of the HKSE Code provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all Non-executive Directors are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that 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.

Code provision E.1.2 of the HKSE Code provides that the Chairman of the Board of Directors of the Company (the "Board") shall attend the annual general meeting of the Company. Dr. Ho Hung Sun, Stanley, the Non-executive Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29th April 2008 (the "AGM") as he had another business engagement. Mr. Ho, Lawrence Yau Lung, one of the Directors, was elected in accordance with the Articles of Association of the Company to act as the chairman of the AGM and answered questions raised by the shareholders at the meeting. Due to other business engagements which require more of his attention, Dr. Ho Hung Sun, Stanley did not offer himself for re-election as Director at the AGM and has therefore retired as a Non-executive Director of the Company at the conclusion of the AGM. He also ceased to act as the Chairman of the Company with effect from 29th April 2008.

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

- a. Executive Committee;
- b. Audit Committee;
- c. Remuneration Committee;
- d. Nomination Committee;
- e. Finance Committee; and
- f. Regulatory Compliance Committee.

Term of reference of all the aforesaid committees have been posted on the Company's website.

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 and is currently composed of three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. The terms of reference of the audit committee have been established with regard to Rule 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee has reviewed the unaudited results of the Group for the six months ended 30th June 2008.

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

During the six months ended 30th June 2008, the Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares, except that the trustee of Share Purchase Scheme had, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 3,712,000 shares of the Company. The total amount paid to acquire these shares during such period was HK\$4,813,000.

COMPETING INTERESTS

Mrs. Chu Ho Miu Hing, an Independent Non-executive Director of the Company, is a director and a shareholder of Good Harvest Securities Company Limited ("Good Harvest"). As the business of Good Harvest consists of trading of Hong Kong securities, the Directors believe that there is a potential risk that such business may compete with the brokerage business of the Company.

Save as disclosed above, as at 30th June 2008, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates had any business or interest in a business which competes or may compete with the business of the Group.

As at the date of this report, the board of directors of the Company comprises Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Patrick Sun# (Chief Executive Officer), Mr. Tsui Che Yin, Frank#, Dr. Lee Jun Sing*, Dr. Tyen Kanhee, Anthony+, Mr. Sham Sui Leung, Daniel+ and Mrs. Chu Ho Miu Hing+.*

Executive Director

* Non-executive Director

+ Independent Non-executive Director