



VC GROUP  
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821  
[www.vcgroup.com.hk](http://www.vcgroup.com.hk)

Delivering **Value**  
Through **Excellence**



Interim Report **2010**

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The board (the “Board”) of directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010, together with the unaudited comparative figures of the corresponding period in 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established financial services group committed to delivering premier 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.

### Business Review

With the international financial tsunami in the fourth quarter of 2008 sweeping through the whole world, the financial market of each country was deeply impacted without exception. The confidence of investors dropped to a trough and the growth of global economy slowed down rapidly. Various countries, including the US, European governments and their central banks, and even the China government, had launched their rescue programs immediately, including substantial funding injections into the financial systems, financial guarantees and even some share acquisition plans by the government, when necessary, so as to stimulate domestic demand and ensure a stable growth and sustain of the economic growth.

Fortunately, under the stimulus of affluent capital and with better than expected economic key figures, the world’s stock market rapidly rebounded from the second quarter of 2009. However, US recovery still looks fragile. Also, the financial crisis happened in Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe in the first half of 2010 demonstrates that the economic conditions in the whole world have not yet fully recovered. The Dow Jones index closed at 9,774 points, down 654 points or 6%, for the six months ended 30 June 2010, and Nasdaq closed at 2,109 points, down 160 points or 7% as well.

In Hong Kong, the economic conditions continued to be challenging in the first half of 2010. In spite of the rise of the stock market since the 1st quarter end of 2009, the shadow of the financial tsunami still existed and the confidence of Hong Kong investors had not yet fully recovered. The Hang Seng Index once peaked at 22,416 on 6 January 2010 and ended at 30 June 2010 with 20,128, down 1,744 points or 8% from 21,872 at the beginning of 2010. The Hang Seng China Enterprises Index also dropped by 10% for the six months ended 30 June 2010 and closed at 11,466 points. The total market capitalization of the Hong Kong stock market also decreased by HK\$743 billion from HK\$17,874 billion as at 31 December 2009 to HK\$17,131 billion as at 30 June 2010. Though the average daily turnover of Hong Kong stock market for the six months ended 30 June 2010 was about HK\$63.8 billion compared to approximately HK\$58.3 billion for the same period in 2009, a rise of approximately 9.5% or HK\$5.5 billion, and

compared to approximately HK\$62.3 billion for the full year 2009, which was also slightly improved, it still performed substantially behind that of before the financial tsunami. The average daily turnover was about HK\$87.3 billion and HK\$72.1 billion for the six months ended 30 June 2008 and for the full year 2008 respectively. And all the market indexes were definitely not able to reach the level before the financial tsunami.

As one of the major service providers in the local financial sector, the Group's business performance in the first half of 2010 was still inevitably affected by the impact of the financial tsunami towards the Hong Kong equity market. However, with our sound balance sheet, premium investment and wealth management services and products, as well as the recovery and upturn of the Hong Kong equity market had become more solid, the Group was able to possess definite competitive advantages to continue to provide value for the investment of our shareholders. Notwithstanding the changes in the shareholding structure and the senior management from September 2009, the Group had still managed to perform in line with the Hong Kong equity market. Our core business and business objectives remained the same, still focusing on the business of 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. Details of the financial results for the six months ended 30 June 2010 please refer to the section "Financial Review" below.

## Outlook

Looking ahead, the Group expects 2010 to be still challenging to the financial sector. The world's financial market still faces uncertain factors. The financial crisis happened in Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe in the first half of 2010 has proven that the economic downturn have yet come to an end. Other uncertain factors include the withdrawal of government capital from investment markets, the possibility of a rise in interest and inflation rate and also the possibility of stagflation exists amid a high unemployment rate in the USA. Further, China is in the process of clamping down on excessive lending, particularly in the property market, and has implemented a series of measures to prevent Chinese enterprises and individuals from over-extending themselves in speculations in order to avoid an overheated economy, which will give impact to the global financial market.

However, the picture in China still looks promising. Fundamentally, China was not seriously impacted by the financial tsunami, which had achieved an 8% GDP growth in year 2009. Powered by strong domestic demand, China economy is expected to have 10% GDP growth in year 2010. With the expectation of further appreciation of the yuan, it might attract capital inflows into Hong Kong. Given the strong economic ties between Hong Kong and the Mainland and the solid foundation of the Hong Kong financial service market, we are expected to benefit from the relatively faster recovery of its motherland.

The Group will continue to focus on applying its excellent operational capabilities to serve customers, pursuing diversification and acquisition and pushing for innovation so as to make sure it will be able to reap benefits when the financial market rebounds fully in the near future.

## Financial Review

Affected by poor and unstable market sentiments, for the six months ended 30 June 2010, the Group's unaudited consolidated revenue was approximately HK\$54.7 million, a decrease of about 14% compared with the same period in 2009. The Group recorded an unaudited consolidated loss attributable to shareholders amounting to approximately HK\$37.6 million for the six months ended 30 June 2010 against a profit of approximately HK\$4.7 million for the same period in 2009. However, the loss for the current period was mainly attributable to the recognition of (1) the fair value change of approximately HK\$34 million in relation to the HK\$10 million convertible bonds and the option of the HK\$10 million optional bonds issued on 30 November 2009 and 9 April 2010 respectively and (2) the fair value of approximately HK\$4.4 million in relation to the 3,400,000 share options and 947,869 awarded shares granted on 18 January 2010 and 25 January 2010 respectively. Excluding these major non-cash and/or non-recurring nature items, the Group generated a profit of approximately HK\$0.8 million for the six months ended 30 June 2010.

To facilitate the review, the segment information shown in note 3 to the unaudited condensed consolidated financial statements is reproduced below after some re-arrangements:

	<b>Six months ended</b>	
	<b>30 June 2010</b>	30 June 2009
	<b>HK\$'000</b>	HK\$'000
Segmental results:		
Brokerage	<b>10,015</b>	9,870
Corporate Finance	<b>(3,398)</b>	(2,477)
Asset Management	<b>(597)</b>	(2,739)
	<hr/>	<hr/>
Group operating profit	<b>6,020</b>	4,654
Share of loss of jointly controlled entities	<b>(136)</b>	(230)
Fair value changes on financial liabilities		
designated at fair value through profit or loss	<b>(22,950)</b>	–
Fair value changes on derivative financial liabilities	<b>(11,033)</b>	–
Unallocated (costs) income	<b>(8,240)</b>	2,078
	<hr/>	<hr/>
(Loss) profit before taxation	<b>(36,339)</b>	6,502
Income tax expense	<b>(1,597)</b>	(1,774)
	<hr/>	<hr/>
(Loss) profit for the period	<b>(37,936)</b>	4,728
Non-controlling interests	<b>319</b>	–
	<hr/>	<hr/>
(Loss) profit for the period attributable to owners of the Company	<b>(37,617)</b>	4,728
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### **Brokerage**

For the six months ended 30 June 2010, the Group's brokerage business recorded revenue of approximately HK\$52.4 million for the six months ended 30 June 2010, representing a decrease of 14% from HK\$60.9 million for the same period last year. The drop in brokerage revenue was mainly due to the substantial decrease in brokerage commission from approximately HK\$44.9 million to HK\$31.4 million in the first half of 2010, representing a decrease of approximately 30% compared with the same period last year. Net brokerage commission income had decreased by 30% from approximately HK\$17.8 million to HK\$12.5 million. Nevertheless, this downturn was fully offset by the positive growth in other revenue streams including financing business and also the placing and underwriting services.

The Group's interest income from financing business increased substantially by approximately HK\$5.6 million to HK\$16.2 million in the first half of 2010, representing a rise of approximately 53% compared with the same period last year. Our average loan portfolio was increased by approximately 53% to HK\$405.4 million in the first half of 2010 from approximately HK\$265.5 million for the same period in 2009, resulting in the significant growth in revenue from interest income. Besides, clients' assets quality remained benign with more than needed receivables provision for the Group to write back a further of approximately HK\$1 million as a one-off income (2009: HK\$2.2 million).

Further, the Group also offers placing and underwriting services to customers, and acts as placing agents and underwriters for many Hong Kong listed companies. During the six months ended 30 June 2010, the Group had put more efforts to capture the opportunities from the improved sentiments towards initial public offerings and other fund raising exercises in Hong Kong and therefore generated gross revenue of approximately HK\$4.7 million (2009: HK\$3.4 million).

Overall, the operating profit before taxation generated from the brokerage business was approximately HK\$10 million, which was comparable to that of last year (2009: HK\$9.9 million).

### **Corporate Finance**

During the six months ended 30 June 2010, VC Capital Limited, an indirect non-wholly owned subsidiary of the Company, had been appointed as the financial advisers of several Hong Kong listed companies for a number of corporate transactions and had also successfully helped a company to seek for listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing of shares, in which VC Capital Limited was appointed as one of the joint sponsors.

The Group's corporate financial advisory and related businesses recorded revenues totaling approximately HK\$2.3 million (2009: HK\$3.3 million) and operating loss before taxation of approximately HK\$3.4 million (2009: HK\$2.5 million) for the six months ended 30 June 2010. Its performance was not better than expected. Though there are many initial public offerings in the pipelines in Hong Kong and we can see many listed companies become more active in their merger and acquisition transactions since the resumption of the capital market activities in Hong Kong from last quarter of 2009, it takes us a longer period to capture the economic benefits from the growth. It is expected that the Group can capture the growing business opportunities from the favourable market condition in the near future.

Generally, IPO sponsorships will continue to be a major revenue driver of the corporate finance segment and will create the business opportunities in underwriting and share placements for the Group as a whole.

### **Asset Management**

In 2008, VC Financial Group Limited ("VC Financial Group"), a direct wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company (the "JV Company") which had acquired a piece of land in Macau (the "Macau Land"). The JV Company intended to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property management project, which will focus on developing middle to high end residential properties in Macau. With the hit of the financial tsunami, fund raising has become more challenging and as a result, the Group has to consider alternative exit plans for the project. Please refer to the section "Events after the reporting date" below for the latest development subsequent to 30 June 2010 (the "reporting date").

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 is actively pursuing new business opportunities to grow its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of the customers.

For the six months ended 30 June 2010, the asset management business recorded an operating loss before taxation of approximately HK\$0.6 million (2009: HK\$2.7 million). The significant loss in 2009 was primarily incurred for the staff costs and professional fees relating to the establishment of the aforementioned fund or project.

**Share of loss of jointly controlled entities**

For the six months ended 30 June 2010, the Group had recognised a loss of approximately HK\$136,000 (2009: HK\$230,000) from the JV Company, which was mainly derived from the general operating expenses.

**Fair value changes on financial liabilities designated at fair value through profit or loss and derivative financial liabilities**

As aforementioned, the Company had issued the convertible bonds in a principal amount of HK\$10 million (the "Convertible Bonds") on 30 November 2009, which were classified as financial liabilities designated at fair value through profit or loss and were measured at fair value. As at 31 December 2009, the carrying amount of the Convertible Bonds was approximately HK\$11.2 million in accordance with a valuation report prepared by an independent valuer. Upon the conversion of the Convertible Bonds into 10,000,000 ordinary shares of HK\$0.1 each of the Company on 9 April 2010, an option to subscribe for additional HK\$10,000,000 convertible bonds (the "HK\$10M Optional Bonds") with a conversion price of HK\$1.00 each per ordinary share of the Company was also issued to the bondholder in accordance with the terms of Convertible Bonds, which were classified as derivative financial liabilities and were measured at fair value. On 21 April 2010, the bondholder had exercised the option for the HK\$10M Optional Bonds and converted the convertible bonds into 10,000,000 ordinary shares of HK\$0.1 each of the Company on the same date.

For the six months ended 30 June 2010, the Group had recognised the increase in fair value of the Convertible Bonds of approximately HK\$23 million as at 9 April 2010 (2009: Nil) and also the increase in fair value of the option for the HK\$10M Optional Bonds of approximately HK\$11 million as at 21 April 2010 (2009: Nil) to the profit or loss in accordance with a valuation report prepared by an independent valuer as at each of the conversion dates.

**Unallocated (costs) income**

The unallocated costs of the Group was approximately HK\$8.2 million for the six months ended 30 June 2010 compared to an unallocated income of approximately HK\$2.1 million for the same period in 2009. The increase in unallocated expenses for the period was primarily due to the inclusion of the unallocated equity-settled share-based payments for share options and awarded shares granted to the Directors of the Company and employees of the Group amounting to approximately HK\$4.4 million in the first half of 2010 (2009: HK\$1.5 million) and additional unallocated corporate expenses.

**Finance costs**

During the six months ended 30 June 2010, the finance costs of the Group decreased to approximately HK\$79,000 (2009: HK\$120,000), in which almost all were charged to the brokerage business. For the six months ended 30 June 2009, it included an interest payment of HK\$78,000 in related to the loans from a former shareholder, which was settled in early 2009.



**Income tax expenses**

During the six months ended 30 June 2010, the estimated income tax expenses of the Group amounted to approximately HK\$1.6 million (2009: HK\$1.8 million). The income tax expenses for the six months ended 30 June 2010 was primarily due to the provision of income tax charge in relation to the profitability generated from the brokerage business.

**Liquidity and financial resources/capital structure**

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

The Group held banking facilities of HK\$130 million granted from a bank to a subsidiary, VC Brokerage Limited ("VC Brokerage") as at 30 June 2010 (31 December 2009: HK\$150 million), in which HK\$50 million (31 December 2009: HK\$50 million) and HK\$80 million (31 December 2009: HK\$80 million) of these banking facilities had to be secured by VC Brokerage's margin clients' listed securities whenever necessary and its bank deposits of HK\$40 million (31 December 2009: HK\$40 million) respectively. As at 30 June 2010, the Group had no outstanding bank borrowings (31 December 2009: Nil).

As at 30 June 2010, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK\$622.7 million (31 December 2009: HK\$521.3 million), HK\$104.5 million (31 December 2009: HK\$93.9 million) and HK\$637 million (31 December 2009: HK\$608.4 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 14.8 as at 30 June 2010 (31 December 2009: 8.4).

The Group adopts a prudent treasury policy. All borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars as at 30 June 2010. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in saving deposits and current accounts as at 30 June 2010.

As at 30 June 2010, the total number of issued ordinary shares of the Company was 399,006,829 at HK\$0.10 each (31 December 2009: 374,590,829 shares of HK\$0.10 each). The increase for the first half of 2010 was due to the conversion of convertible bonds into 20,000,000 new ordinary shares at the conversion price of HK\$1.0 each and also the exercise of 4,416,000 share options by the Directors of the Company and the employees of the Group.

**Charges on group assets**

As aforementioned, the Group had made a HK\$40 million charge over deposits to a bank for securing banking facilities of HK\$80 million granted to VC Brokerage in short-term money market loan and current account overdraft as at 30 June 2010 (31 December 2009: HK\$40 million).

**Gearing ratio**

As at 30 June 2010, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and convertible bonds) over shareholders' equity, was zero (31 December 2009: 0.02 times).

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

During the six months ended 30 June 2010, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in note 19 to the unaudited condensed consolidated financial statements.

**Headcount and employees information**

As at 30 June 2010, the Group had a total of 113 employees (31 December 2009: 105), of whom 109 (31 December 2009: 102) were stationed in Hong Kong and 4 (31 December 2009: 3) in the People's Republic of China (the "PRC").

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK\$22.5 million and HK\$18.6 million respectively for the six months ended 30 June 2010 (2009: HK\$17.5 million and HK\$25.9 million respectively). The former one included equity-settled share-based payments of approximately HK\$4.4 million for the six months ended 30 June 2010 (2009: HK\$1.5 million). 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, other staff benefits include medical coverage, sales commission, discretionary performance-based bonus, discretionary share options and share awards. Training and development programs are also provided to employees from time to time.

**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. Almost all of 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 at 30 June 2010, the Group had no known plans with regard to material investments or capital assets. 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 using its internal resources and/or different financing options available, whichever should be deemed appropriate. As at 30 June 2010, the Group had made commitments contracted but not provided for in the financial statements in respect of purchase of property, plant and equipment in relation to the upgrade and enhancement of internet trading and internal infrastructure systems for approximately HK\$300,000 (31 December 2009: HK\$855,000).

**Contingent liabilities**

As at 30 June 2010, the Company had given financial guarantees of HK\$130 million (31 December 2009: HK\$130 million) to a bank in respect of banking facilities provided to VC Brokerage. As at 30 June 2010, no banking facilities was utilised by VC Brokerage (31 December 2009: Nil).

**Events after the reporting date**

Subsequent to the reporting date, on 5 August 2010, Guia Hill (BVI) Holdings No. 1 Limited and Guia Hill (BVI) Holdings No. 2 Limited, being wholly-owned subsidiaries of the JV Company, entered into a sale and purchase agreement (the "Agreement") as supplemented by the Supplemental Agreement with third-party purchasers to dispose of the entire issued share capital of Guia Hill (Macau) Investments Limited, an indirect wholly-owned subsidiary of the JV Company at a cash consideration of HK\$256 million (the "Disposal"). The completion of the Agreement is conditional upon the satisfaction of certain conditions precedent. The Group may receive a net cash proceed of approximately HK\$54.7 million for general working capital and record an estimated loss of approximately HK\$36.3 million on the Disposal. Details of the Disposal had been given in the announcement of the Company dated 6 August 2010.

By Order of the Board of  
**Value Convergence Holdings  
Limited**  
**Dr. Lee Jun Sing**  
*Chairman*

Hong Kong, 18 August 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	(3)	<b>54,684</b>	63,731
Other income	(3)	<b>329</b>	491
Staff costs	(4)	<b>(41,128)</b>	(43,431)
Depreciation of property, plant and equipment	(10)	<b>(999)</b>	(1,142)
Amortisation of trading rights		<b>(252)</b>	(253)
Commission expenses		<b>(2,013)</b>	(2,944)
Finance costs	(5)	<b>(79)</b>	(120)
Other operating expenses		<b>(13,762)</b>	(11,800)
Write-back of impairment loss on account receivables		<b>1,000</b>	2,200
Share of loss of jointly controlled entities	(12)	<b>(136)</b>	(230)
Fair value changes on financial liabilities designated at fair value through profit or loss	(18)	<b>(22,950)</b>	–
Fair value changes on derivative financial liabilities	(18)	<b>(11,033)</b>	–
(Loss) profit before taxation		<b>(36,339)</b>	6,502
Income tax expenses	(6)	<b>(1,597)</b>	(1,774)
(Loss) profit for the period and total comprehensive income for the period	(7)	<b>(37,936)</b>	4,728
<b>(Loss) profit for the period and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(37,617)</b>	4,728
Non-controlling interests		<b>(319)</b>	–
		<b>(37,936)</b>	4,728
<b>(Loss) earnings per share (HK cents)</b>			
Basic	(9)	<b>(9.81)</b>	1.28
Diluted	(9)	<b>(9.81)</b>	1.28

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Goodwill		<b>8,151</b>	8,151
Trading rights		–	252
Property, plant and equipment	(10)	<b>3,638</b>	3,813
Deferred tax assets	(11)	<b>1,100</b>	1,100
Statutory deposits		<b>3,080</b>	2,997
Other intangible assets		<b>547</b>	547
Investments in jointly controlled entities	(12)	–	–
Loan to a jointly controlled entity	(12)	–	79,383
Rental and utility deposits		–	2,096
		<b>16,516</b>	98,339
<b>Current assets</b>			
Accounts receivable	(13)	<b>424,552</b>	441,326
Prepayments, deposits and other receivables		<b>4,897</b>	2,956
Loan to a jointly controlled entity	(12)	<b>79,247</b>	–
Amounts due from jointly controlled entities		<b>14,799</b>	13,603
Pledged bank deposits		<b>40,000</b>	40,000
Bank balances and cash	(14)	<b>104,454</b>	93,912
		<b>667,949</b>	591,797
<b>Current liabilities</b>			
Accounts payable	(15)	<b>29,018</b>	54,618
Accrued liabilities and other payables		<b>12,019</b>	12,858
Taxation payable		<b>4,207</b>	3,040
		<b>45,244</b>	70,516
<b>Net current assets</b>		<b>622,705</b>	521,281
<b>Total assets less current liabilities</b>		<b>639,221</b>	619,620

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Financial liabilities designated at fair value through profit or loss	(18)	–	11,184
		<u>639,221</u>	<u>608,436</u>
<b>Capital and reserves</b>			
Share capital	(16)	<b>39,901</b>	37,459
Reserves		<b>597,146</b>	570,977
		<u>637,047</u>	<u>608,436</u>
<b>Equity attributable to owners of the Company</b>		<b>637,047</b>	608,436
<b>Non-controlling interests</b>		<b>2,174</b>	–
		<u>639,221</u>	<u>608,436</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital HK\$'000	Shares held for share purchase scheme HK\$'000	Share premium HK\$'000	Capital reserve (note) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Awarded shares compensation reserve HK\$'000	Equity attributable to owners of the Company HK\$'000
At 1 January 2009 (Audited)	<u>37,117</u>	<u>(3,221)</u>	<u>359,385</u>	<u>123,758</u>	<u>(854)</u>	<u>93,102</u>	<u>1,528</u>	<u>1,333</u>	<u>612,148</u>
Profit for the period and total comprehensive income for the period	-	-	-	-	-	4,728	-	-	4,728
Recognition of equity-settled share-based payment	-	-	-	-	-	-	109	1,364	1,473
Shares purchased for share purchase scheme	-	(600)	-	-	-	-	-	-	(600)
Transfer of shares held for share purchase scheme upon vesting of shares	-	1,793	-	-	-	-	-	(1,793)	-
At 30 June 2009 (Unaudited)	<u>37,117</u>	<u>(2,028)</u>	<u>359,385</u>	<u>123,758</u>	<u>(854)</u>	<u>97,830</u>	<u>1,637</u>	<u>904</u>	<u>617,749</u>

	Shares held for share purchase scheme		Share premium	Capital reserve (note)	Exchange reserve	Retained profits	Awarded shares		Equity attributable to owners of the Company		Non-controlling interests	Total
	Share capital	HK\$'000					HK\$'000	HK\$'000	HK\$'000	Share option reserve		
At 1 January 2010 (Audited)	37,459	(2,029)	363,534	123,758	(854)	70,596	15,053	919	-	608,436	-	608,436
Loss for the period and total comprehensive income for the period	-	-	-	-	-	(37,617)	-	-	-	(37,617)	(319)	(37,936)
Non-controlling interests arising on partial disposal of interests in subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	-	1,998	1,998
Additional non-controlling interests arising on issue of new equity shares	-	-	-	-	-	-	-	-	-	-	495	495
Profit arising on partial disposal of interests in subsidiaries (note 19)	-	-	-	-	-	-	-	-	202	202	-	202
Exercise of share options	442	-	6,032	-	-	-	-	-	-	6,474	-	6,474
Transfer of share option reserve upon exercise of share options	-	-	2,296	-	-	-	(2,296)	-	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	-	2,592	1,852	-	4,444	-	4,444
Share issue expenses	-	-	(24)	-	-	-	-	-	-	(24)	-	(24)
Transfer of shares held for share purchase scheme upon vesting of shares	-	2,029	-	-	-	742	-	(2,771)	-	-	-	-
Shares issue upon conversion of convertible bonds	2,000	-	53,132	-	-	-	-	-	-	55,132	-	55,132
At 30 June 2010 (Unaudited)	39,901	-	424,970	123,758	(854)	33,721	15,349	-	202	637,047	2,174	639,221

*Note:* Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong (the "High Court") had approved the reduction of the Company's capital and the cancellation of the Company's share premium account on 27 May 2003. By virtue of the High Court's sanction, the Company's share premium account of HK\$45,878,129 was cancelled and the issued and fully paid share capital of the Company was reduced by HK\$214,339,500 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, after eliminated against the accumulated loss of HK\$136,459,429, in the aggregate amount of HK\$123,758,200 were 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 for the purposes of section 79C of the Companies Ordinance 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, the Company is of the view that the reserve is distributable to the Company's shareholders.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Net cash used in operating activities</b>	<b>(7,695)</b>	(654,301)
<b>Net cash used in investing activities</b>	<b>(908)</b>	(2,099)
<b>Net cash from financing activities</b>		
Proceeds from issue of convertible bonds	<b>10,000</b>	–
Proceeds from exercise of share options	<b>6,474</b>	–
Share issue expenses	<b>(24)</b>	–
Proceeds from disposal of partial interests in subsidiaries that does not result in losing control of the subsidiaries	<b>2,200</b>	–
New short-term bank borrowings	–	584,000
Repayment of loans to a shareholder	–	(41,900)
Other financing cash flows	<b>495</b>	(2,919)
	<b>19,145</b>	539,181
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,542</b>	(117,219)
<b>Cash and cash equivalents at the beginning of period</b>	<b>93,912</b>	301,856
<b>Cash and cash equivalents at the end of period, represented by bank balances and cash</b>	<b>104,454</b>	184,637

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting, issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for the amendment to HKAS1 and HKFRS 8
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the unaudited condensed consolidated financial statements of the Group for the current accounting period or prior accounting years.

#### **HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements**

The application of HKAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests in subsidiaries are dealt with in equity, with no impact on goodwill or profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstances, HKAS 27 (Revised 2008) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the disposal during the current period of part of the Group's ownership interest in VC Capital Limited and VC Asset Management Limited that does not result in the loss of control over them (see note 19), the impact of the change in policy has been that the difference of HK\$202,000 between the considerations received and the increase in the carrying amounts of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of HK\$202,000 (2009: Nil). In addition, cash consideration of HK\$2,200,000 received from the non-controlling shareholder is presented as cash flow from financing activities.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related party disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>3</sup>
HKFRS 9	Financial instruments <sup>5</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement <sup>4</sup>
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. REVENUES AND SEGMENT INFORMATION

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenues</b>		
Brokerage commission from dealing in securities and futures and options contracts	<b>31,435</b>	44,921
Underwriting, sub-underwriting, placing and sub-placing commission	<b>4,713</b>	3,435
Arrangement, management, advisory and other fee income	<b>2,306</b>	4,794
Interest income from clients	<b>16,230</b>	10,581
	<b>54,684</b>	63,731
<b>Other income</b>		
Interest income from authorised institutions	<b>263</b>	488
Sundry income	<b>66</b>	3
	<b>329</b>	491
<b>Total income</b>	<b>55,013</b>	64,222

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. The adoption of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments (business segments) determined in accordance with HKAS 14. In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group's operating divisions (i.e. brokering, margin and other financing, corporate advisory and others). Currently, information reported to the Group's Executive Committee (being the chief operating decision maker) is still focusing on the types of services provided. Meanwhile, he is more specifically based on the performance of each of the strategic business units as well. As such, 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.

### 3. REVENUES AND SEGMENT INFORMATION (Continued)

The Group operates financial services business and classified its business into three operating segments, namely brokerage, corporate finance and asset management under HKFRS 8. Details of these three operating segments are summarised as follows:

- (i) the brokerage segment engages in securities, futures and options brokering and dealing, provision of margin financing and commercial loans to corporate customers and placing and underwriting services;
- (ii) the corporate finance segment engages in provision of corporate financial advisory services; and
- (iii) the asset management segment engages in asset management services and proprietary trading.

The following tables represent revenues and results information for these segments for the six months ended 30 June 2010 and 2009. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

#### Six months ended 30 June 2010

	Brokerage HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenues	52,388	2,296	-	-	54,684
Intersegment sales	-	-	-	-	-
	<u>52,388</u>	<u>2,296</u>	<u>-</u>	<u>-</u>	<u>54,684</u>
Segment profit (loss)	<u>10,015</u>	<u>(3,398)</u>	<u>(597)</u>	<u>-</u>	<u>6,020</u>
Elimination of intercompany costs					6,902
Central administrative costs					(15,142)
Share of loss of jointly controlled entities					(136)
Fair value changes on financial liabilities designated at fair value through profit or loss					(22,950)
Fair value changes on derivative financial liabilities					<u>(11,033)</u>
Loss before taxation					<u>(36,339)</u>

### 3. REVENUES AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2009

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	60,914	2,817	-	-	63,731
Intersegment sales	-	494	-	(494)	-
	<u>60,914</u>	<u>3,311</u>	<u>-</u>	<u>(494)</u>	<u>63,731</u>
Segment profit (loss)	<u>9,870</u>	<u>(2,477)</u>	<u>(2,739)</u>	<u>-</u>	<u>4,654</u>
Elimination of intercompany costs					9,730
Central administrative costs					(7,652)
Share of loss of jointly controlled entities					(230)
Profit before taxation					<u>6,502</u>

Segment profit or loss represents the profit earned by/loss from each segment before the elimination of intercompany costs, central administrative costs, share of loss of jointly controlled entities, fair value changes on financial liabilities designated at fair value through profit or loss and fair value changes on derivative financial liabilities. This is the measure reported to the Executive Committee for the purposes of resource allocation and assessment of performance.

Intersegment sales are charged at prevailing market rate.

For the six months ended 30 June 2010 and 2009, no single customer amounts to 10% or more of the Group's revenues. The Group's operations are located in Hong Kong (country of domicile) and the PRC. The Group's revenues from external customers are derived in Hong Kong for the six months ended 2010 and 2009. Almost all of its non-current assets, excluding deferred tax assets, investments in jointly controlled entities and loan to a jointly controlled entity, are attributed to the operations in Hong Kong.

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

**4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Staff commission	<b>18,612</b>	25,866
Wages and salaries	<b>16,678</b>	14,885
Staff welfare	<b>758</b>	608
Recruitment costs	<b>145</b>	40
Retirement benefits scheme contributions	<b>555</b>	559
Recognition of equity-settled share-based payment	<b>4,444</b>	1,473
Reversal of discretionary and performance related incentive expenses	<b>(64)</b>	–
	<b>41,128</b>	43,431

**5. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>79</b>	42
Loans from a shareholder	<b>–</b>	78
	<b>79</b>	120

**6. INCOME TAX EXPENSES**

The amount of tax charged to the condensed consolidated statement of comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
– Hong Kong Profits Tax	<b>1,597</b>	1,774

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both reporting periods.

**7. (LOSS) PROFIT FOR THE PERIOD**

(Loss) profit for the period has been arrived at after (crediting) charging the following items:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Auditor's remuneration	<b>667</b>	627
Operating leases in respect of land and buildings	<b>4,011</b>	3,316
Net exchange gain	<b>(45)</b>	(17)
Recovery for doubtful receivables, net	<b>(1,000)</b>	(2,200)
	<u>          </u>	<u>          </u>

**8. DIVIDENDS**

No dividends were paid, declared or proposed during the six months ended 30 June 2010 (2009: Nil). The Directors do not recommend the payment of an interim dividend.

**9. (LOSS) EARNINGS PER SHARE**

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss) earnings</b>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	<b>(37,617)</b>	4,728
	<u>          </u>	<u>          </u>
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<b>383,592</b>	369,079
	<u>          </u>	<u>          </u>

The computation of diluted (loss) earnings per share is not presented as the exercise of the Company's convertible bonds and share options are anti-dilutive for both reporting periods.



**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Carrying value, beginning of period/year	<b>3,813</b>	4,423
Additions	<b>824</b>	1,443
Depreciation	<b>(999)</b>	(2,053)
	<hr/>	<hr/>
Carrying value, end of period/year	<b>3,638</b>	3,813

**11. DEFERRED TAX ASSETS**

At 30 June 2010, the Group has deductible temporary difference of approximately HK\$63,000 (31 December 2009: HK\$155,000). No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Besides, at 30 June 2010, the Group has estimated unused tax losses of approximately HK\$145,758,000 (31 December 2009: HK\$135,510,000) to carry forward against future taxable income. A deferred tax asset of HK\$1,100,000 has been recognised in the unaudited condensed consolidated financial statements as at 30 June 2010 (31 December 2009: HK\$1,100,000) in respect of estimated unused tax losses of approximately HK\$6,667,000 (31 December 2009: HK\$6,667,000) to the extent that the realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses of approximately HK\$139,091,000 (31 December 2009: HK\$128,843,000) for the Group is not recognised as deferred tax asset as it is uncertain whether sufficient future profits or taxable temporary differences will be available in the future to offset the amount.

These deductible temporary differences and estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

## 12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group has loan advanced to a jointly controlled entity which forms part of the net investment in the jointly controlled entities. During the six months ended 30 June 2010, the jointly controlled entities incurred losses in excess of cost of investments. The net investment in the jointly controlled entities is as follows:

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Cost of investments in jointly controlled entities	1	1
Share of post-acquisition losses and other comprehensive income	<b>(1)</b>	<b>(1)</b>
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
Loan to a jointly controlled entity ( <i>note</i> )	<b>95,000</b>	95,000
Less: Loss allocated in excess of cost of investments	<b>(15,753)</b>	(15,617)
	<hr/>	<hr/>
	<b>79,247</b>	79,383
	<hr/>	<hr/>

*Note:* The loan of HK\$95,000,000 is advanced by the Company in 2008 which is unsecured and bears interest at 3-month HIBOR plus 2.6% per annum commencing from the establishment of the relevant funds by the jointly controlled entities.

## 13. ACCOUNTS RECEIVABLE

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Accounts receivable arising from the ordinary course of business of dealing in ( <i>Note a</i> ):		
– Securities transactions:		
Clearing houses and brokers	<b>25</b>	14
Cash clients	<b>38,026</b>	108,032
Margin clients	<b>385,484</b>	333,250
– Futures and options contracts transactions:		
HKFE Clearing Corporation Limited (“HKCC”)	–	1
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services ( <i>Note b</i> )	<b>1,017</b>	29
	<hr/>	<hr/>
	<b>424,552</b>	441,326
	<hr/>	<hr/>

### 13. ACCOUNTS RECEIVABLE (Continued)

The Group has policies and procedures to assess the potential clients' credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the clients' credit worthiness.

The credit quality of accounts receivable are summarised as follows:

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Neither past due nor impaired	<b>417,565</b>	431,544
Past due but not impaired ( <i>Note c</i> )	<b>6,423</b>	6,877
Impaired ( <i>Note d</i> )	<b>7,775</b>	11,116
	<b>431,763</b>	449,537
Less: Allowance for impairment ( <i>Note d</i> )	<b>(7,211)</b>	(8,211)
	<b>424,552</b>	441,326

The accounts receivable with a carrying amount of approximately HK\$417,565,000 (31 December 2009: HK\$431,544,000) are neither past due nor impaired as at 30 June 2010. The management believes that the amounts are recoverable.

*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.

Amounts due from brokers bear interest at commercial rates.

Accounts receivable due from cash clients are secured by clients' pledged listed securities at fair values of approximately HK\$375,676,000 as at 30 June 2010 (31 December 2009: HK\$460,049,000). No collateral held can be repledged by the Group and the corresponding collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Cash client receivables which are past due bear interest at commercial rates.

### 13. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

Accounts receivable due from margin clients are included in *Neither past due nor impaired* as these accounts have no specific maturity date. The accounts receivable are secured by clients' pledged listed securities at fair values of approximately HK\$1,125,898,000 as at 30 June 2010 (31 December 2009: HK\$993,233,000), repayable on demand and bear interest at commercial rates. The decision of the interest rate changes is based on management's discretion. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of 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 of HK\$306,000 (31 December 2009: HK\$178,000) are due from key management personnel and directors of the Group, and close family members of these directors, in respect of transactions in securities undertaken for their accounts as at 30 June 2010.

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

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Within 30 days	<b>31,641</b>	101,839
31-90 days	<b>3,010</b>	4,179
Over 90 days	<b>3,400</b>	2,029
	<hr/> <b>38,051</b> <hr/>	<hr/> 108,047 <hr/>

**13. ACCOUNTS RECEIVABLE (Continued)**

Notes: (Continued)

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

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Within 30 days	<b>958</b>	–
31-90 days	<b>59</b>	29
Over 90 days	<b>–</b>	–
	<b>1,017</b>	29

- (c) Included in *Past due but not impaired* are accounts receivable due from clients which are past due at the end of the reporting period for which the Group has not provided for any impairment loss.

For cash client receivables which are past due but not impaired amounting to approximately HK\$6,364,000 as at 30 June 2010 (31 December 2009: HK\$6,848,000), no impairment loss are provided. These amounts are considered recoverable as at 30 June 2010 as the Group holds securities collateral for these balances with fair values over the relevant carrying amounts.

The remaining balance of accounts receivable which are past due but not impaired are those amounts arising from provision of corporate financial advisory amounting to approximately HK\$59,000 as at 30 June 2010 (31 December 2009: HK\$29,000). The Group has not provided for any impairment loss as the debtors are with good credit quality and there are on-going projects with the Group. The extent of delay of the repayments is considered normal in the corporate financial advisory industry.

In respect of accounts receivable which are past due but not impaired at the end of the reporting date, the aging analysis based on the trade date is as follows:

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Past due		
up to 30 days	–	–
31-90 days	<b>3,057</b>	4,208
over 90 days	<b>3,366</b>	2,669
	<b>6,423</b>	6,877

### 13. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

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

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

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Balance at beginning of the period/year	<b>8,211</b>	14,990
Impairment loss recognised	<b>188</b>	1,315
Impairment loss reversed	<b>(1,188)</b>	(3,515)
Amounts written off as uncollectible	–	(4,579)
	<hr/>	<hr/>
Balance at end of the period/year	<b>7,211</b>	8,211

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. Besides, the concentration of credit risk is limited due to the customer base being large and unrelated.

### 14. BANK BALANCES AND CASH

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, 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 unaudited condensed consolidated statement of financial position. As at 30 June 2010, the Group maintained segregated accounts with HKCC and the authorised institutions in conjunction with its brokerage and future businesses as a result of its normal business transactions with amount of approximately HK\$3,877,000 (31 December 2009: HK\$3,372,000) and HK\$282,857,000 (31 December 2009: HK\$335,140,000) respectively, which are not otherwise dealt with in the unaudited condensed consolidated financial statements.

**15. ACCOUNTS PAYABLE**

	<b>As at 30 June 2010 HK\$'000 (Unaudited)</b>	As at 31 December 2009 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions ( <i>Note a</i> ):		
– Clearing houses and brokers	<b>9,417</b>	29,853
– Cash clients ( <i>Note b</i> )	<b>18,269</b>	21,773
– Margin clients	<b>1,332</b>	2,992
	<b>29,018</b>	54,618

*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 the trade date. No aging analysis is disclosed as, in the opinion of the Directors of the Company, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.
- (b) Accounts payable of approximately HK\$383,000 (31 December 2009: HK\$648,000) due to key management personnel and directors of the Group, and close family members of directors, in respect of transactions in securities undertaken for their accounts as at 30 June 2010.

**16. SHARE CAPITAL**

	<b>Authorised</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>Amount HK\$'000</b>
At 31 December 2009 and 30 June 2010	10,000,000,000	1,000,000
	<b>Issued and fully paid</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>Amount HK\$'000</b>
At 1 January 2009 (Audited) and 30 June 2009	371,169,772	37,117
Exercise of share options	3,421,057	342
At 31 December 2009 and 1 January 2010	374,590,829	37,459
Issue of new shares upon conversion of the convertible bonds	20,000,000	2,000
Exercise of share options	4,416,000	442
At 30 June 2010 (Unaudited)	399,006,829	39,901

## 17. EQUITY-SETTLED SHARE-BASED PAYMENTS

### Share option schemes

During the six months ended 30 June 2010, options to subscribe for a total of 3,400,000 underlying shares were granted on 18 January 2010, which were fully vested at the grant date. The estimated fair value of the share options granted on that date was approximately HK\$2,592,000, which was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

#### Share options granted on 18 January 2010

Market price at date of grant	HK\$1.84
Exercise price	HK\$1.84
Expected volatility	99%
Expected life	1.2 years
Dividend yield	0%
Risk free rate	0.25%

Expected volatility for the share options granted on 18 January 2010 was determined by using the historical volatility of the Company's share price over the previous 1.2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations. The Group recognised the total expenses of approximately HK\$2,592,000 for the six months ended 30 June 2010 (2009: HK\$109,000) in relation to share options granted under the share option schemes by the Company.

The closing price of the Company's shares immediately before 18 January 2010, the date of grant, was HK\$1.73.

In respect of the share options exercised during the six months ended 30 June 2010, the weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$3.01.

### Share purchase scheme

On 25 January 2010, 947,869 shares were awarded to the Directors of the Company and the employees of the Group, which were fully vested on the grant date. During the six months ended 30 June 2010, 1,783,869 (2009: 1,492,131) awarded shares were vested. The Group recognised the total expenses of approximately HK\$1,852,000 for the six months ended 30 June 2010 (2009: HK\$1,364,000) in relation to shares granted under the share purchase scheme by the Company.

Details of the movements of the share options granted under the share option schemes and shares awarded under the share purchase scheme please refer to the sub-section "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEME" under the section of "OTHER INFORMATION" below.



## 18. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL LIABILITIES

On 30 November 2009, the Company issued Hong Kong dollar denominated convertible bonds in a principal amount of HK\$10,000,000 maturing on 30 November 2011 (the "Convertible Bonds"). The Convertible Bonds entitle the bondholders to convert to ordinary shares at a conversion price of HK\$1.0 per ordinary share.

Conversion may occur at any time between 1 March 2010 and 29 November 2011. If the Convertible Bonds have not been converted, they will be redeemed on 30 November 2011 at the principal amount. Interest of 1.0% per annum is payable semi-annually until the notes are converted or redeemed.

Under the terms of the Convertible Bonds, the Company may redeem in whole or in part of the Convertible Bonds within three months from the issue date at 100.25% of the principal amount. The bondholders who convert the Convertible Bonds within one year from the date of issue will be granted options which will entitle them to subscribe for further convertible bonds (the "Optional Bonds") equal to the principal amount of the Convertible Bonds converted by that converting bondholder. The Optional Bonds would be issued under the same terms and conditions as the Convertible Bonds, except that no option to subscribe for further convertible bonds will be granted to the bondholder and the right to redeem the Optional Bonds within the first three months from the date of issue by the Company will not be applicable.

The Convertible Bonds were classified as financial liabilities designated at fair value through profit or loss and were measured at fair value as at 31 December 2009, which was approximately HK\$11,184,000 in accordance with a valuation report prepared by an independent valuer.

On 9 April 2010, the Company had received a conversion notice from the bondholder requesting the conversion of the Convertible Bonds in full into 10,000,000 ordinary shares of HK\$0.1 each of the Company. As such, the option to subscribe for additional HK\$10,000,000 convertible bonds (the "HK\$10M Optional Bonds") with a conversion price of HK\$1.00 each per ordinary share of the Company was issued to the bondholder. The bondholder has to exercise the option to subscribe for the HK\$10M Optional Bonds no later than 30 November 2010 and the maturity date of the HK\$10M Optional Bonds will be on 30 November 2011. The option to subscribe for the HK\$10M Optional Bonds was recognised as derivative financial liabilities and the change in fair value was recognised to the profit or loss.

On 21 April 2010, the bondholder had exercised the option for the HK\$10M Optional Bonds and subscribed for the HK\$10M Optional Bonds with cash proceed of HK\$10,000,000, which contained two components, liability and equity components. On the same date, the bondholder had converted this in full into 10,000,000 ordinary shares of HK\$0.1 each of the Company.

## 18. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL LIABILITIES (Continued)

The fair values of the Convertible Bonds as at 9 April 2010 and the HK\$10M Optional Bonds as at 21 April 2010 were calculated using the Binomial pricing model, in which the parameters were as follows:

	<b>9 April 2010</b>	<b>21 April 2010</b>
	<b>Convertible</b>	<b>HK\$10M</b>
	<b>Bonds</b>	<b>Optional Bonds</b>
Yield to maturity	10.91%	9.33%
Risk free rate	0.533%	0.462%
Spot price of the Company	HK\$2.13	HK\$3.30
Expected volatility	85.54%	85.52%
Dividend yield	0%	0%

Yield to maturity was determined with reference to the discount rate by credit rating. Risk free rate was determined with reference to yield of 1.64 years and 1.61 years Hong Kong Exchange Fund Note as at the valuation date of 9 April 2010 and 21 April 2010 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.64 years and 1.61 years respectively.

The fair values of the option for the HK\$10M Optional Bonds were calculated as at 9 April 2010 and 21 April 2010 using the Binomial pricing model, in which the parameters were as follows:

	<b>9 April 2010</b>	<b>21 April 2010</b>
Risk free rate	0.09%	0.09%
Spot price of the Company	HK\$2.13	HK\$3.30
Expected volatility	42.26%	57.04%
Dividend yield	0%	0%

Risk free rate was determined with reference to yield of 0.64 year and 0.61 year Hong Kong Exchange Fund Notes as at the valuation dates of 9 April 2010 and 21 April 2010 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 0.64 year and 0.61 year respectively.

The movements of the Convertible Bonds and the HK\$10M Optional Bonds for the period from 1 January 2010 to 21 April 2010 in accordance with a valuation report prepared by an independent valuer as at 9 April 2010 and 21 April 2010 are summarised as below:

## 18. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL LIABILITIES (Continued)

### Financial liabilities designated at fair value through profit or loss

HK\$'000

Balance at 1 January 2010 (Audited)	11,184
Fair value change recognised to profit or loss upon shares conversion of the Convertible Bonds	22,950
Conversion of the Convertible Bonds into shares recognised to equity	(22,038)
Option for the HK\$10M Optional Bonds recognised as derivative financial liabilities	(12,061)
Interest paid on the Convertible Bonds	(35)
	<hr/>
Balance at 30 June 2010 (Unaudited)	–

### Derivative financial liabilities

HK\$'000

Balance at 1 January 2010 (Audited)	–
Option for the HK\$10M Optional Bonds recognised as derivative financial liabilities	12,061
Fair value change recognised to profit or loss upon exercise of the option for the HK\$10M Optional Bonds	11,033
Cash proceed from the HK\$10M Optional Bonds	10,000
Conversion of the HK\$10M Optional Bonds into shares recognised to equity	(33,094)
	<hr/>
Balance at 30 June 2010 (Unaudited)	–

## 19. DISPOSAL OF INTERESTS IN SUBSIDIARIES THAT DOES NOT RESULT IN LOSING CONTROL

On 10 February 2010, the Group had completed the disposal of 9.9% of its interests in each of the two wholly-owned subsidiaries, VC Capital Limited and VC Asset Management Limited, at a cash consideration of HK\$1,600,000 and HK\$600,000 respectively, reducing its continuing interests to 90.1% respectively. The proceeds on disposal had been settled in cash on the disposal date.

The difference of approximately HK\$283,000 and negative HK\$81,000 between the disposal proceeds and the amounts transferred to non-controlling interests of VC Capital Limited and VC Asset Management Limited of approximately HK\$1,317,000 and HK\$681,000 respectively had been recognised directly in equity and with no impact goodwill or profit or loss.

## 20. FINANCIAL GUARANTEE

As at 30 June 2010, the Company had given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK\$130 million (31 December 2009: HK\$130 million). At 30 June 2010, no banking facilities were utilised by VC Brokerage Limited (31 December 2009: Nil). The fair value of the financial guarantee contract is immaterial.

## 21. RELATED PARTIES TRANSACTIONS

During the six months ended 30 June 2010, the Group entered into the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Technical, network and other service fees charged by fellow subsidiaries	–	908
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	<b>151</b>	74
Interest expenses charged on loans from a shareholder	–	78
Management fee paid to a related company	–	371
	<hr/>	<hr/>

The balances with related parties are set out on the unaudited condensed consolidated statement of financial position.

## 22. EVENTS AFTER THE REPORTING DATE

On 5 August 2010, Guia Hill (BVI) Holdings No. 1 Limited and Guia Hill (BVI) Holdings No. 2 Limited (the “Vendors”), being wholly-owned subsidiaries of a jointly controlled entity (the “JCE”) which is held as to 50% by VC Financial Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) as supplemented by the Supplemental Agreement with third-party purchasers (the “Purchasers”) to dispose of the entire issued share capital of Guia Hill (Macau) Investments Limited, an indirect wholly-owned subsidiary of the JCE at a cash consideration of HK\$256 million (the “Disposal”). The completion of the Agreement is conditional upon the satisfaction of certain conditions precedent. If the Purchasers fail to obtain financing to pay the remaining balance for the Disposal by 16 September 2010, the Vendors and the Purchasers agree to postpone the completion for up to a further 120 days, i.e., up to 15 January 2011. The Group may receive a net proceed of approximately HK\$54.7 million for general working capital and record an estimated loss of approximately HK\$36.3 million on the Disposal.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 21 to the unaudited condensed consolidated financial statements, no contract 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 30 June 2010 or at any time during such period.

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Nature of Interest	Number of issued ordinary shares held	Approximate % of issued share capital
Dr. Lee Jun Sing	Held by controlled corporation	Corporate	3,299,702 (Note 2)	0.83%
Mr. Chau King Fai, Philip	Beneficial owner	Personal	2,369,869	0.59%
Mr. Lam Cho Ying, Terence Joe	Beneficial owner	Personal	504,000	0.13%

(b) *Share options granted to the Directors pursuant to the share option scheme adopted by the Company on 29 November 2001, which was terminated on 15 August 2008*

Name of Director	Number of share options			Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$	
	Balance at 01.01.2010	Granted during the period	Exercised during the period					Balance at 30.06.2010
Dr. Lee Jun Sing	491,057	-	-	491,057	0.12%	09.07.2002	09.01.2003 – 08.07.2012	1.00
Mr. Chau King Fai, Philip	1,100,000	-	(1,100,000)	-	-	25.03.2004	25.12.2004 – 24.03.2014	0.64
<b>Total</b>	<b>1,591,057</b>	<b>-</b>	<b>(1,100,000)</b>	<b>491,057</b>	<b>0.12%</b>			

(c) *Share options granted to the Directors pursuant to the share option scheme adopted by the Company on 8 June 2009*

Name of Director	Number of share options			Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$	
	Balance at 01.01.2010	Granted during the period	Exercised during the period					Balance at 30.06.2010
Dr. Lee Jun Sing	500,000	-	-	500,000	0.12%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Chau King Fai, Philip	2,000,000	-	-	2,000,000	0.50%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Cheng Tze Kit, Larry	300,000	-	-	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07
	-	1,700,000	-	1,700,000	0.43%	18.01.2010	18.01.2010 – 17.01.2013	1.84
Ms. So Wai Yee, Betty	300,000	-	-	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07
	-	1,700,000	-	1,700,000	0.43%	18.01.2010	18.01.2010 – 17.01.2013	1.84
Mr. Lam Cho Ying, Terence Joe	3,500,000	-	-	3,500,000	0.87%	26.11.2009	26.11.2009 – 25.11.2012	2.07
<b>Total</b>	<b>6,600,000</b>	<b>3,400,000</b>	<b>-</b>	<b>10,000,000</b>	<b>2.51%</b>			

(d) *Shares awarded to the Directors pursuant to The VC Share Purchase Scheme Trust adopted by the Company on 31 March 2008*

Name of Director	Number of awarded shares			Balance at 30.06.2010	Approximate % of issued share capital	Date of award	Vesting date
	Balance at 01.01.2010	Awarded during the period	Vested during the period				
Mr. Chau King Fai, Philip	124,000	-	(124,000)	-	-	18.08.2008	01.04.2010
	-	109,869	(109,869)	-	-	25.01.2010	25.01.2010
<b>Sub-total</b>	<b>124,000</b>	<b>109,869</b>	<b>(233,869)</b>	<b>-</b>	<b>-</b>		
Mr. Lam Cho Ying, Terence Joe	284,000	-	(284,000)	-	-	18.08.2008	01.04.2010
	-	220,000	(220,000)	-	-	25.01.2010	25.01.2010
<b>Sub-total</b>	<b>284,000</b>	<b>220,000</b>	<b>(504,000)</b>	<b>-</b>	<b>-</b>		
<b>Total</b>	<b>408,000</b>	<b>329,869</b>	<b>(737,869)</b>	<b>-</b>	<b>-</b>		

*Notes:*

1. As at 30 June 2010, the total number of issued ordinary shares of the Company was 399,006,829.
2. Dr. Lee Jun Sing is taken to be interested in 3,299,702 ordinary shares of the Company as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 0.83% of the issued share capital of the Company.
3. The share options and awarded shares mentioned above represent personal interests held by the relevant Directors as beneficial owners.
4. During the six months ended 30 June 2010, no share options and awarded shares mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30 June 2010, 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 had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2010, other than the interests of the Directors or Chief Executive of the Company as disclosed above, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

### Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital	Notes
Mr. Jiang Jun	Beneficial owner	21,000,000	5.26%	–
VMS Investment Group Limited	Beneficial owner	20,000,000	5.01%	2
Ms. Mak Siu Hang, Viola	Held by controlled corporation	20,000,000	5.01%	2
Highgrade Holding Limited	Beneficial owner	32,000,000	8.02%	3
Mr. Ting Pang Wan, Raymond	Held by controlled corporation	32,000,000	8.02%	3

*Notes:*

- As at 30 June 2010, the total number of issued ordinary shares of the Company was 399,006,829.
- Ms. Mak Siu Hang, Viola is taken to be interested in 20,000,000 ordinary shares of the Company as a result of her being beneficially interested in the entire issued share capital of VMS Investment Group Limited which in turn holds approximately 5.01% of the issued share capital of the Company.
- Mr. Ting Pang Wan, Raymond is taken to be interested in 32,000,000 ordinary shares of the Company as a result of him being beneficially interested in the entire issued share capital of Highgrade Holding Limited which in turn holds approximately 8.02% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2010, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.



## SHARE OPTION SCHEMES

At the extraordinary general meeting of the Company held on 29 November 2001, the shareholders of the Company approved the adoption of a share option scheme (the “GEM Share Option Scheme”) which superseded the previous share option scheme of the Company adopted on 14 March 2001.

The GEM Share Option Scheme was conditionally terminated by the Board on 7 August 2008. Upon the listing of shares of the Company was transferred from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange on 15 August 2008, the termination of the GEM Share Option Scheme became effective. Thereafter, no further share options may be offered or granted under the GEM Share Option Scheme. Pursuant to the provisions of the GEM Share Option Scheme, share options previously granted but unexercised under the GEM Share Option Scheme will remain valid and exercisable in accordance with their terms of issue.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2009, the Company adopted a new share option scheme (the “2009 Share Option Scheme”). Movements of the share options, which were granted under the GEM Share Option Scheme and 2009 Share Option Scheme, during the six months ended 30 June 2010 were set out below:

### (a) GEM Share Option Scheme

The following share options were outstanding under the GEM Share Option Scheme as at 30 June 2010:

Category of participant	Number of share options				Balance at 30.06.2010	Date of grant	Share options duration	Exercise price HK\$
	Balance at 01.01.2010	Granted during the period	Exercised during the period	Lapsed during the period				
Director <sup>1</sup>	491,057	-	-	-	491,057	09.07.2002	09.07.2002 – 08.07.2012	1.00
Director <sup>1</sup>	1,100,000	-	(1,100,000)	-	-	25.03.2004	25.03.2004 – 24.03.2014	0.64
<b>Sub-total</b>	<b>1,591,057</b>	<b>-</b>	<b>(1,100,000)</b>	<b>-</b>	<b>491,057</b>			
Employees <sup>1</sup>	24,942	-	(20,000)	-	4,942	09.07.2002	09.07.2002 – 08.07.2012	1.00
Employees <sup>1</sup>	150,000	-	(150,000)	-	-	25.03.2004	25.03.2004 – 24.03.2014	0.64
<b>Sub-total</b>	<b>174,942</b>	<b>-</b>	<b>(170,000)</b>	<b>-</b>	<b>4,942</b>			
Others <sup>1</sup>	344,140	-	-	-	344,140	09.07.2002	09.07.2002 – 08.07.2012	1.00
Others <sup>1</sup>	700,000	-	(600,000)	-	100,000	25.03.2004	25.03.2004 – 24.03.2014	0.64
<b>Sub-total</b>	<b>1,044,140</b>	<b>-</b>	<b>(600,000)</b>	<b>-</b>	<b>444,140</b>			
<b>Total</b>	<b>2,810,139</b>	<b>-</b>	<b>(1,870,000)</b>	<b>-</b>	<b>940,139</b>			

Note:

- Commencing from the date of grant up to the date falling six months thereafter, up to 50% of the shares comprised in the share 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 shares comprised in the share options which were not previously exercised can be exercised.

## (b) 2009 Share Option Scheme

The following share options were outstanding under the 2009 Share Option Scheme as at 30 June 2010:

Category of participant	Number of share options					Balance at 30.06.2010	Date of grant	Share options duration	Exercise price HK\$
	Balance at 01.01.2010	Reclassified during the period	Granted during the period	Exercised during the period	Lapsed during the period				
Directors <sup>1</sup>	7,200,000	(600,000)	-	-	-	6,600,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
Directors <sup>1</sup>	-	-	3,400,000	-	-	3,400,000	18.01.2010	18.01.2010 – 17.01.2013	1.84
<b>Sub-total</b>	<b>7,200,000</b>	<b>(600,000)</b>	<b>3,400,000</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>			
Employees <sup>1</sup>	8,900,000	-	-	(2,546,000)	-	6,354,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
<b>Sub-total</b>	<b>8,900,000</b>	<b>-</b>	<b>-</b>	<b>(2,546,000)</b>	<b>-</b>	<b>6,354,000</b>			
Others <sup>1</sup>	600,000	600,000	-	-	-	1,200,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
<b>Sub-total</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>			
<b>Total</b>	<b>16,700,000</b>	<b>-</b>	<b>3,400,000</b>	<b>(2,546,000)</b>	<b>-</b>	<b>17,554,000</b>			

Note:

- Commencing from the date of grant up to the date falling on 3 years from the date of grant of the share options, all shares comprised in the share options can be exercised at any time.

In respect of the share options exercised during the six months ended 30 June 2010, the weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$3.01.

Details of the grant of share options to the Directors of the Company are disclosed in the sub-section "Long positions in the shares and underlying shares of the Company" under the section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

## SHARE AWARD SCHEMES

On 31 March 2008, the Company adopted 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”).

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company. The shares of the Company 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 recognise the contribution 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. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and/or any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme and the Share Subscription Scheme, during the six months ended 30 June 2010 were set out below:

### (a) Share Purchase Scheme

Category of participant	Number of awarded shares				Balance at 30.06.2010	Date of award	Vesting date
	Balance at 01.01.2010	Awarded during the period	Vested during the period	Lapsed during the period			
Directors	408,000	-	(408,000)	-	-	18.08.2008	01.04.2010
Directors	-	329,869	(329,869)	-	-	25.01.2010	25.01.2010
<b>Sub-total</b>	<b>408,000</b>	<b>329,869</b>	<b>(737,869)</b>	<b>-</b>	<b>-</b>		
Employees	428,000	-	(428,000)	-	-	18.08.2008	01.04.2010
Employees	-	618,000	(618,000)	-	-	25.01.2010	25.01.2010
<b>Sub-total</b>	<b>428,000</b>	<b>618,000</b>	<b>(1,046,000)</b>	<b>-</b>	<b>-</b>		
<b>Total</b>	<b>836,000</b>	<b>947,869</b>	<b>(1,783,869)</b>	<b>-</b>	<b>-</b>		

### (b) Share Subscription Scheme

During the six months ended 30 June 2010, no awards were granted by the Company to any employees of the Company and/or its subsidiaries under the Share Subscription Scheme.

Details of the grant of awarded shares to the Directors of the Company are disclosed in the sub-section “Long positions in the shares and underlying shares of the Company” under the section of “DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above.

## **SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES**

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code. Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the six months ended 30 June 2010.

The Board has established a "Code of Securities Dealings by Relevant Employees" for relevant employees of the Company to regulate their dealings in the securities of the Company so as to comply with the directors' obligations under code provision A.5.4 of the HKSE Code (as defined below) of the Listing Rules.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. During the six months ended 30 June 2010, 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 14 of the Listing Rules, with one deviation 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.

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.

Terms 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 14 March 2001 and is currently composed of three Independent Non-executive Directors of the Company, namely, Mr. Lam Ka Wai, Graham (Chairman), Mr. Lam Kwok Hing, Wilfred and Mr. Tse On Kin. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2010.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises three Executive Directors, namely, Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry and Ms. So Wai Yee, Betty; three Non-executive Directors, namely, Dr. Lee Jun Sing (Chairman), Mr. Lam Cho Ying, Terence Joe and Ms. Wang Ying and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Tse On Kin and Mr. Lam Ka Wai, Graham.