VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821
www.vcgroup.com.hk

Interim Report 2011

Delivering Value Through Excellence

CONTENTS

This Interim Report is printed on environmentally friendly paper.

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 2011, togehter with the unaudited comparative figures of the corresponding period in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited 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, and corporate finance services in relation to sponsoring and underwriting initial public offerings and mergers and acquisitions, as well as asset management.

Significant Events and Developments

On 9 June 2011, the Company entered into a placing agreement (the “Warrant Placing Agreement”) with a placing agent whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 79,900,000 warrants to not less than six independent placees at an issue price of HK$0.05 per warrant (the “Warrant(s)”). Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 (subject to adjustment) (the “Subscription Share(s)”), which can be exercised at any time during a period of 12 months commencing from the date of issue of the Warrants. Upon full exercise of the subscription rights attaching to the Warrants, the Company will issue 79,900,000 Subscription Shares which represented approximately 16.66% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares as at 30 June 2011.

The maximum net proceeds from the placing and issue of the Warrants will be approximately HK$3.7 million and the maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$101.1 million. The Company intends to use these net proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. The Directors of the Company are of the view that the placing will broaden the shareholders’ portfolio and also strengthen the financial position of the Group, which will therefore enhance the Group’s flexibility in future business developments or investments when opportunities arise.

The placing period commenced from the date of the Warrant Placing Agreement, i.e. 9 June 2011 and would terminate on 9 July 2011. On 8 July 2011, the Company and the placing agent had entered into a supplemental agreement to extend the placing period to 16 July 2011. The placing and issue of 79,900,000 Warrants as aforementioned had finally been completed on 14 July 2011. Details were set out in the Company’s announcements dated 9 June 2011, 8 July 2011 and 14 July 2011 respectively.

Besides, the Company entered into a placing agreement (the "Share Placing Agreement") with a placing agent on 28 January 2011 to place, on a best effort basis, a minimum of 20,000,000 new shares and up to a maximum of 79,000,000 new shares at a price of HK$1.5 per placing share. The Share Placing Agreement was expired and lapsed due to certain conditions precedent to the Share Placing Agreement had not been fulfilled on 31 May 2011, the long-stop date of the Share Placing Agreement. Details were set out in the Company's announcements dated 28 January 2011 and 31 May 2011.

Business Review

Since the financial tsunami happened in the fourth quarter of 2008, many countries had been emerged quickly after substantial rescue actions, such as massive influx of stimulus capital from rescue packages, financial guarantees and government share acquisitions, taken by many of the world's central banks, including China. These measures had helped stabilize the capital markets, stimulate domestic demand, and encourage sustainable economic growth globally. However, its significant aftershocks still rippled through 2011 and challenges remained in various corners of the world. Waves of disruption continued to unsettle world economies such as in the US, Italy, Greece and Spain, in which the debt crises continued to deteriorate. These and other events continued to negatively impact investor confidence, and keep sentiment suppressed. Further, global initial public offering issuance, particularly in Asia Pacific, slowed down in the first quarter due to Japan's earthquake and nuclear crisis happened in March 2011.

Likewise, in Hong Kong, the economic conditions continued to be challenging in the first half of 2011 and the stock market remained volatile. The Hang Seng Index once dropped to 21,599 on 20 June 2011 and ending with 22,398 at 30 June 2011, down 637 points or 2.8% from 23,035 at the beginning of 2011. The Hang Seng China Enterprises Index dropped slightly by 0.9% for the six months ended 30 June 2011 and closed at 12,576 from 12,692 as at 31 December 2010. The Hong Kong stock market's total market capitalization was HK$21,104 billion, which was almost the same as that of 31 December 2010 (HK$21,077 billion). However, this had increased by 23% or HK$3,973 billion from HK$17,131 billion as at 30 June 2010. The average daily trading turnover of the Hong Kong equity market for the six months ended 30 June 2011 was about HK$73.6 billion as compared to approximately HK$63.8 billion for the same period in 2010, representing a rise of approximately 15% or HK$9.8 billion. These achievements notwithstanding, the market still lagged its performance prior to the financial tsunami. Its average daily turnover was approximately HK$58.3 billion and HK$87.3 billion for the six months ended 30 June 2009 and 2008 respectively. Suffice to say, none of the market indexes had yet recovered to levels reached prior to the financial tsunami.

Our core businesses and objectives remained focused on securities, futures and options brokering, and corporate finance services in relation to sponsoring and underwriting initial public offerings and mergers and acquisitions, as well as asset management. As one of the major financial service providers in the local financial sector, with our sound balance sheet, premium investment and wealth management services and products, we believe that we possess definite competitive advantages and can continue providing value for the investment of our shareholders. For details of the financial results analysis of the Group for the six months ended 30 June 2011 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects the second half of 2011 to be still challenging to the financial sector. The world's financial markets still face uncertain factors. The impact of the global financial crisis happened since the fourth quarter of 2008 has yet come to an end. Even the government interventions of capital injection into or withdrawal from the investment markets in the past have created other uncertain factors, such as the increase of inflation and interest rates. Further, in the US, the credit rating has just been downgraded by Standard & Poor's and there is a chance of a further downgrade over the next six months to two years. Even China continues to clamp down on excessive lending, particularly in the property market, and has implemented a series of measures, including the increasing interest rates and reserve ratios, to prevent Chinese enterprises and individuals from over-extending themselves in speculations, to hopefully avert an overheated economy.

Yet, China continues to look very promising. China's 12th five-year plan delivered in March 2011 with an aim to further strengthen cooperation among the mainland, Hong Kong and Macau by promoting closer economic partnership arrangements and regional economic development, and consolidating Hong Kong's status as an international centre of finance.

The Group will continue to focus on applying our excellent operational capabilities to serve customers, pursuing diversification and acquisition, and pushing for innovation, to ensure we will be able to reap benefits when the financial market fully rebounds in the near future and capture the future business developments or investments in China as and when opportunities arise.

Financial Review

Affected by poor market sentiment, for the six months ended 30 June 2011, the Group's consolidated revenue was approximately HK$53.2 million, which had decreased by about 2.7% as compared with the same period in 2010. The Group recorded a consolidated profit attributable to shareholders amounting to approximately HK$1.1 million for the six months ended 30 June 2011 against a consolidated loss of approximately HK$37.6 million for the same period in 2010. For the six months ended 30 June 2010, excluding the recognition of the fair value changes 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 in 2009 and 2010 respectively, and the fair value of approximately HK$4.4 million in relation to the share options and awarded shares granted in 2010, which were major non-cash and/or non-recurring nature items, the Group generated a consolidated profit of approximately HK$0.8 million.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segmental results:		
Brokerage	**8,612**	10,015
Corporate Finance	**(900)**	(3,398)
Asset Management	**(769)**	(597)
Group operating profit	**6,943**	6,020
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	**–**	(11,033)
Unallocated costs	**(4,484)**	(8,240)
Profit (loss) before taxation	**2,459**	(36,339)
Income tax expense	**(1,455)**	(1,597)
Profit (loss) for the period	**1,004**	(37,936)
Non-controlling interests	**74**	319
Profit (loss) for the period attributable to owners of the Company	**1,078**	(37,617)

Brokerage

For the six months ended 30 June 2011, the Group's brokerage business, through VC Brokerage Limited ("VC Brokerage") and VC Futures Limited (both are the indirect wholly owned subsidiaries of the Company), recorded revenue of approximately HK$46.5 million, representing a decrease of about 11.2% from HK$52.4 million for the same period last year. The drop in brokerage revenue was mainly due to the decrease in brokerage commission to approximately HK$23.9 million for the six months ended 30 June 2011 from HK$31.4 million for the same period last year, representing a decrease of about 23.9%. Net brokerage commission income was relatively decreased by about 23.2% to approximately HK$9.6 million from HK$12.5 million. This was mainly attributable to the investors' sentiment remained suppressed. Nevertheless, this business shortfall was partially offset by the positive growth in other revenue streams including, in particular, the financing business services during the six months ended 30 June 2011.

The Group's interest income from financing business increased by approximately HK$2.4 million to HK$18.7 million for the six months ended 30 June 2011, representing a rise of about 15.1% as compared with the same period last year. This was attributable to the increase of our average loan portfolio by about 13.3% to approximately HK$459.3 million for the six months ended 30 June 2011 from HK$405.4 million for the same period last year, resulting in the growth in revenue from interest income.

Further, the Group also offers placing and underwriting services to our customers, and acts as placing agents and underwriters for many Hong Kong listed companies' fund raising activities. During the six months ended 30 June 2011, the Group continued to put 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$3.8 million (2010: HK$4.7 million).

Overall, the operating profit before taxation generated from the brokerage business was approximately HK$8.6 million (2010: HK$10 million), and its operating profit after taxation was approximately HK$7.2 million (2010: HK$8.4 million).

Corporate Finance

During the six months ended 30 June 2011, VC Capital Limited ("VC Capital"), 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 (the "Stock Exchange"), in which VC Capital was appointed as the sole sponsor. Further, for the six months ended 30 June 2011, the Group had put more resources in developing and extending our China network with an aim to explore more business opportunities in China.

For the six months ended 30 June 2011, the Group's corporate financial advisory and related businesses recorded a revenue totaling approximately HK$6.7 million (2010: HK$2.3 million) and an operating loss before and after taxation of approximately HK$0.9 million (2010: HK$3.4 million). Its performance was significantly improved during the review period as compared to that of the same period in 2010 and even 2009. It demonstrated that the Group had captured the growing business opportunities gradually since the resumption of the capital market activities in Hong Kong from last quarter of 2009 after the financial tsunami and achieved the economic benefits from the growth. There are still 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 now. We believe the initial public offerings market in Hong Kong is picking up gradually and are optimistic to the business opportunities from the favourable market condition in the near future.

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

Asset Management

In 2008, VC Financial Group Limited, the Company's direct wholly owned subsidiary, had established a 50:50 jointly controlled entity with a third party, which had acquired a Macau land and intended to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property management project in Macau. However, with the hit of the financial tsunami, fund raising had become more challenging. Meanwhile, in order to focus the management time and resources in our core business, the Group selected an alternative exit plan for this project last year, in which the Macau land had been disposed and completed in November 2010.

Nevertheless, given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Group is still 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 our customers.

For the six months ended 30 June 2011, the Group's asset management business, mainly through VC Asset Management Limited (an indirect non-wholly owned subsidiary of the Company) recorded an operating loss before and after taxation of approximately HK$0.8 million (2010: HK$0.6 million), which mainly representing the general operating expenses incurred for such business.

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

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 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 recognised the increase in fair value of the Convertible Bonds of approximately HK$23 million as at 9 April 2010 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 to the profit or loss in accordance with a valuation report prepared by an independent valuer as at each of the conversion dates. As at 31 December 2010 and 30 June 2011, the Group did not have any outstanding convertible bonds and optional bonds. Details had been given in note 16 to the unaudited condensed consolidated financial statements.

Unallocated costs

For the six months ended 30 June 2011, the unallocated costs of the Group was approximately HK$4.5 million which mainly included the unallocated corporate rental and utility expenses, salaries and allowances, etc., as compared to approximately HK$8.2 million for the same period in 2010 which included the fair value of approximately HK$4.4 million in relation to the share options and awarded shares granted to the Directors of the Company and employees of the Group in 2010.

Finance costs

During the six months ended 30 June 2011, the finance costs of the Group was approximately HK$430,000 (2010: HK$79,000), in which all are in relation to the short-term bank loans utilised for the brokerage business.

Income tax expense

During the six months ended 30 June 2011, the estimated income tax expense of the Group amounted to approximately HK$1.5 million (2010: HK$1.6 million), which was 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, as at 30 June 2011 (31 December 2010: HK$130 million), in which HK$50 million (31 December 2010: HK$50 million) and HK$80 million (31 December 2010: HK$80 million) of these banking facilities had to be secured by VC Brokerage's margin clients' listed securities whenever necessary and the bank deposits of HK$40 million (31 December 2010: HK$40 million) respectively. As at 30 June 2011, the Group had outstanding bank borrowings of HK$40 million (31 December 2010: HK$40 million).

As at 30 June 2011, the Group's net current assets, cash available and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$580.5 million (31 December 2010: HK$580.4 million), HK$193.4 million (31 December 2010: HK$115.5 million) and HK$589.2 million (31 December 2010: HK$588.1 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 6.2 as at 30 June 2011 (31 December 2010: 5.8).

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 2011. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 30 June 2011.

As at 30 June 2011, the total number of issued ordinary shares of the Company was 399,736,829 at HK$0.10 each (31 December 2010: 399,736,829 shares of HK$0.10 each). There was no movement in share capital of the Company during the six months ended 30 June 2011.

The placing and issue of 79,900,000 Warrants at an issue price of HK$0.05 per Warrant, which carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27, had been completed on 14 July 2011. The Warrants can be exercised at any time during a period of 12 months commencing from the date of issue of the Warrants. Upon full exercise of the subscription rights attaching to the Warrants, the Company will issue 79,900,000 Subscription Shares which represented approximately 16.66% of the issued share capital of the Company as enlarged by the issue and allotment of these Subscription Shares as at 30 June 2011. The maximum net proceeds from the placing and issue of the Warrants will be approximately HK$3.7 million and the maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$101.1 million.

Charges on group assets

As aforementioned, the Group had made a HK$40 million charge over deposits to a bank (31 December 2010: HK$40 million) 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 2011 (31 December 2010: HK$80 million).

Gearing ratio

As at 30 June 2011, the Group's gearing ratio, expressed as total borrowings (mainly the bank borrowings) over shareholders' equity, was at a satisfactory level of about 0.07 times (31 December 2010: 0.07 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 minimize exchange related risks. Although there was launch of dealing and clearing services for Renminbi products in Hong Kong by the Stock Exchange in April 2011, the Renminbi exposure to the Group is still minimal at the early stage. During the six months ended 30 June 2011, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize exchange related risks.

Headcount and employees information

As at 30 June 2011, the Group had a total of 117 employees (31 December 2010: 118), of whom 109 (31 December 2010: 114) were stationed in Hong Kong and 8 (31 December 2010: 4) in China.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$21 million and HK$13.3 million respectively for the six months ended 30 June 2011 (2010: HK$22.5 million and HK$18.6 million respectively). The staff costs for the six months ended 30 June 2010 included equity-settled share-based payment of approximately HK$4.4 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.

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

During the six months ended 30 June 2011, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

Future plans for material investments or capital assets

As at 30 June 2011, 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 2011, the Group had made commitments contracted but not provided for in the unaudited condensed consolidated 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$364,000 (31 December 2010: Nil).

Contingent liabilities

As at 30 June 2011, the Company had given financial guarantees of HK$130 million (31 December 2010: HK$130 million) to a bank in respect of banking facilities provided to VC Brokerage. As at 30 June 2011, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (31 December 2010: HK$40 million).

Event after the reporting period

The placing and issue of 79,900,000 Warrants at an issue price of HK$0.05 per Warrant, which carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27, had been completed on 14 July 2011. Details had been given in the section "Significant Events and Developments" above.

Corporate governance

The Company has promulgated a set of Code on Corporate Governance (the "Company Code") which sets out the corporate standards and practices used by the Company to direct and manage its business affairs. It is prepared by referencing to the principles, Code Provisions and Recommended Best Practices set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), which came into effect on 1 January 2005. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code and ultimately ensuring high transparency and accountability to the Company's shareholders.

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

Hong Kong, 18 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Revenue	3	**53,227**	54,684
Other income	3	**146**	329
Staff costs	4	**(34,344)**	(41,128)
Depreciation of property, plant and equipment	9	**(1,056)**	(999)
Amortisation of trading rights		**–**	(252)
Commission expenses		**(2,367)**	(2,013)
Finance costs		**(430)**	(79)
Other operating expenses		**(12,717)**	(13,762)
Write-back of impairment loss on account receivables		**–**	1,000
Share of loss of jointly controlled entities		**–**	(136)
Fair value changes on financial liabilities designated at fair value through profit or loss	16	**–**	(22,950)
Fair value changes on derivative financial liabilities	16	**–**	(11,033)
Profit (loss) before taxation		**2,459**	(36,339)
Income tax expense	5	**(1,455)**	(1,597)
Profit (loss) for the period	6	**1,004**	(37,936)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**3**	–
Total comprehensive income for the period		**1,007**	(37,936)
Profit (loss) for the period attributable to:			
Owners of the Company		**1,078**	(37,617)
Non-controlling interests		**(74)**	(319)
		1,004	(37,936)
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,081**	(37,617)
Non-controlling interests		**(74)**	(319)
		1,007	(37,936)
Earnings (loss) per share (HK cents)			
Basic	8	**0.27**	(9.81)
Diluted	8	**0.27**	(9.81)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**2,540**	3,504
Statutory deposits		**3,136**	3,059
Other intangible assets		**1,547**	547
Available-for-sale investment		**500**	–
Investments in jointly controlled entities		**–**	–
Rental and utility deposits		**2,412**	2,163
		10,135	9,273
Current assets			
Accounts receivable	11	**454,850**	542,409
Prepayments, deposits and other receivables		**3,454**	2,855
Loan to a jointly controlled entity		**219**	219
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	12	**193,446**	115,478
		691,969	700,961
Current liabilities			
Accounts payable	13	**59,698**	65,346
Accrued liabilities and other payables		**9,417**	13,425
Amounts due to jointly controlled entities		**1,150**	1,378
Taxation payable		**1,190**	443
Short-term bank borrowings	14	**40,000**	40,000
		111,455	120,592
Net current assets		**580,514**	580,369
Total assets less current liabilities		**590,649**	589,642
Capital and reserves			
Share capital	15	**39,974**	39,974
Reserves		**549,207**	548,126
Equity attributable to owners of the Company		**589,181**	588,100
Non-controlling interests		**1,468**	1,542
Total equity		**590,649**	589,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital HK$'000	Shares held for share purchase scheme HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Exchange reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Awarded shares compensation reserve HK$'000	Other reserve HK$'000 (note b)	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
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 b)*	–	–	–	–	–	–	–	–	–	–	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 b)*	–	–	–	–	–	–	–	–	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2011

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Exchange reserve HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (note b)	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (Audited)	39,974	427,064	123,758	(942)	(16,593)	14,637	202	588,100	1,542	589,642
Profit for the period	–	–	–	–	1,078	–	–	1,078	(74)	1,004
Other comprehensive income for the period	–	–	–	3	–	–	–	3	–	3
Total comprehensive income for the period	–	–	–	3	1,078	–	–	1,081	(74)	1,007
At 30 June 2011 (Unaudited)	39,974	427,064	123,758	(939)	(15,515)	14,637	202	589,181	1,468	590,649

Notes:

(a) 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 Hong Kong 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 due to the creditors, the Company is of the view that the reserve is distributable to the Company's shareholders.

(b) Pursuant to the disposal of 9.9% of the interest in each of the two indirect wholly owned subsidiaries, VC Capital Limited and VC Asset Management Limited, at a consideration of HK$1,600,000 and HK$600,000 respectively completed on 10 February 2010, 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 in Other Reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**79,629**	(7,695)
Net cash used in investing activities	**(1,668)**	(908)
Net cash from financing activities		
Proceeds from issue of convertible bonds	**–**	10,000
Proceeds from exercise of share options	**–**	6,474
Share issue expenses	**–**	(24)
Proceeds from disposal of partial interests in subsidiaries that does not result in losing control of the subsidiaries	**–**	2,200
Other financing cash flows	**–**	495
	–	19,145
Net increase in cash and cash equivalents	**77,961**	10,542
Cash and cash equivalents at the beginning of period	**115,478**	93,912
Effect of exchange rate changes on the balance of cash held in foreign currencies	**7**	–
Cash and cash equivalents at the end of period, represented by bank balances and cash	**193,446**	104,454

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 and with Hong Kong Accounting Standard 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 and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2010 except as described below.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the unaudited condensed consolidated financial statements and/or disclosures set out in the unaudited condensed consolidated financial statements of the Group for the current accounting period or prior accounting years.

The Group has not early applied new or revised standards, amendments and interpretations that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of items of other comprehensive income [1]
HKFRS 10	Consolidated financial statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosures of interests in other entities [2]
HKFRS 13	Fair value measurement [2]
HKAS 19 (as revised in 2011)	Employee benefits [2]
HKAS 27 (as revised in 2011)	Separate financial statements [2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. REVENUE AND SEGMENT INFORMATION

Revenue principally arises 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.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**23,929**	31,435
Underwriting, sub-underwriting, placing and sub-placing commission	**3,841**	4,713
Arrangement, management, advisory and other fee income	**6,779**	2,306
Interest income from clients	**18,678**	16,230
	53,227	54,684
Other income		
Interest income	**140**	263
Sundry income	**6**	66
	146	329
Total income	**53,373**	55,013

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group operates financial services business and classifies its business into three operating segments, namely brokerage, corporate finance and asset management, and reports to the Group's Executive Committee (being the Group's Chief Operating Decision Maker) accordingly. Details of these three operating and reportable 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.

3. **REVENUE AND SEGMENT INFORMATION (Continued)**

The following tables represent revenue and results information for these segments for the six months ended 30 June 2011 and 2010.

Six months ended 30 June 2011 (Unaudited)

	Brokerage	Corporate finance	Asset management	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**46,508**	**6,719**	**–**	**–**	**53,227**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**
	46,508	**6,719**	**–**	**–**	**53,227**
Segment profit (loss)	**8,612**	**(900)**	**(769)**	**–**	**6,943**
Elimination of intra-group costs					**6,798**
Central administrative costs					**(11,282)**
Profit before taxation for the period					**2,459**

Six months ended 30 June 2010 (Unaudited)

	Brokerage	Corporate finance	Asset management	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	52,388	2,296	–	–	54,684
Inter-segment sales	–	–	–	–	–
	52,388	2,296	–	–	54,684
Segment profit (loss)	10,015	(3,398)	(597)	–	6,020
Elimination of intra-group 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					(11,033)
Loss before taxation for the period					(36,339)

3. **REVENUE AND SEGMENT INFORMATION (Continued)**

Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group 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 Group's Executive Committee for the purposes of resource allocation and assessment of performance.

Inter-segment sales are charged at prevailing market rate.

For the six months ended 30 June 2011 and 2010, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are located in Hong Kong (country of domicile) and the People's Republic of China. The Group's revenue from external customers are mainly derived from Hong Kong for the six months ended 30 June 2011 and 2010. Almost all of its non-current assets, excluding investments in jointly controlled entities and available-for-sale investment, are attributed to the operations in Hong Kong.

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

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff commission	**13,343**	18,612
Salaries and wages	**19,093**	16,644
Staff welfare	**826**	758
Recruitment costs	**349**	145
Provision of long service payment/annual leave benefits	**155**	34
Retirement benefits scheme contributions	**578**	555
Recognition of equity-settled share-based payment	**–**	4,444
Reversal of discretionary and performance related incentive payments	**–**	(64)
	34,344	41,128

5. **INCOME TAX EXPENSE**

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	**1,455**	1,597

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

6. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after (crediting) charging the following:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Auditors' remuneration	**504**	667
Operating leases in respect of land and buildings	**4,363**	4,011
Net exchange gain	**(1)**	(45)
Recovery for doubtful receivables, net	**–**	(1,000)

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2011 (2010: Nil). The Directors of the Company do not recommend the payment of an interim dividend.

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the period attributable to owners of the Company)	**1,078**	(37,617)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**399,737**	383,592
Effect of dilutive potential ordinary shares:		
Share options	**221**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**399,958**	383,592

The computation of diluted loss per share for the six months ended 30 June 2010 is not presented as the exercise of the Company's share options are antidilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
Carrying value, beginning of period/year	**3,504**	3,813
Additions	**91**	1,757
Depreciation	**(1,056)**	(2,063)
Written off	**–**	(3)
Exchange difference	**1**	–
Carrying value, end of period/year	**2,540**	3,504

10. DEFERRED TAX ASSETS

At 30 June 2011, the Group has deductible temporary differences of approximately HK$806,000 (31 December 2010: HK$219,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Besides, the Group and the Company have estimated unused tax losses of approximately HK$163,899,000 and HK$40,964,000 respectively to carry forward against future taxable income as at 30 June 2011 (31 December 2010: HK$158,637,000 and HK$40,754,000). No deferred tax asset has been recognised in the unaudited condensed consolidated financial statements as at 30 June 2011 (31 December 2010: Nil) in respect of estimated unused tax losses as it is uncertain whether sufficient future taxable profits or deductible temporary differences will be available in the future to offset the amount.

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

11. ACCOUNTS RECEIVABLE

	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**1,117**	6,627
Cash clients	**42,411**	62,807
Margin clients	**410,018**	471,246
– Futures and options contracts transactions:		
HKFE Clearing Corporation Limited ("HKCC")	**1**	1
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note b)*	**1,303**	1,728
	454,850	542,409

11. ACCOUNTS RECEIVABLE (Continued)

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

The credit quality of accounts receivable are summarised as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**451,209**	532,367
Past due but not impaired *(Note c)*	**2,814**	4,536
Impaired *(Note d)*	**1,102**	6,781
	455,125	543,684
Less: Allowance for impairment *(Note d)*	**(275)**	(1,275)
	454,850	542,409

The accounts receivable with a carrying amount of approximately HK$451,209,000 are neither past due nor impaired as at 30 June 2011 (31 December 2010: HK$532,367,000). The management considers that the collaterals are sufficient and is satisfied with the credit quality of the clients.

Notes:

(a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date.

Accounts receivable 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$456,755,000 as at 30 June 2011 (31 December 2010: HK$435,762,000). 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 clients receivable which are past due bear interest at commercial rates.

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$1,051,114,000 as at 30 June 2011 (31 December 2010: HK$1,323,816,000), 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.

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

As at 30 June 2011, accounts receivable of approximately HK$9,000 (31 December 2010: HK$1,250,000) was 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.

In respect of these 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:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Within 30 days	**40,844**	66,050
31-90 days	**1,261**	3,268
Over 90 days	**1,424**	117
	43,529	69,435

(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:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Within 30 days	**1,140**	1,228
31-90 days	**154**	500
Over 90 days	**9**	–
	1,303	1,728

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(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 clients receivable which are past due but not impaired amounting to approximately HK$2,652,000 as at 30 June 2011 (31 December 2010: HK$4,036,000), no impairment loss was provided. These amounts are considered recoverable as at 30 June 2011 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, placing and underwriting services amounting to approximately HK$162,000 as at 30 June 2011 (31 December 2010: HK$500,000). 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 these 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 period, the aging analysis based on the trade date is as follows:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Past due		
Within 30 days	**–**	–
31-90 days	**1,414**	3,728
Over 90 days	**1,400**	808
	2,814	4,536

(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:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Balance at beginning of the period/year	**1,275**	8,211
Impairment loss recognised	**–**	–
Impairment loss reversed	**–**	–
Amounts written off as uncollectible	**(1,000)**	(6,936)
Balance at end of the period/year	**275**	1,275

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(d) (Continued)

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.

12. 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 2011, the Group maintained segregated accounts with HKCC of approximately HK$3,166,000 (31 December 2010: HK$3,244,000) and the authorised institutions of approximately HK$254,498,000 (31 December 2010: HK$289,667,000) in conjunction with its brokerage, future and corporate financial advisory businesses as a result of the normal business transactions, which are not otherwise dealt with in the unaudited condensed consolidated financial statements.

13. ACCOUNTS PAYABLE

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*:		
– Clearing houses and brokers	**18,051**	7,643
– Cash clients *(Note b)*	**38,877**	32,991
– Margin clients	**2,770**	24,712
	59,698	65,346

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) As at 30 June 2011, accounts payable of approximately HK$238,000 (31 December 2010: HK$901,000) 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.

14. SHORT-TERM BANK BORROWINGS

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured bank loans	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits of HK$40 million and bore an interest rate at HIBOR plus 2% per annum as at 30 June 2011 and 31 December 2010. The weighted average effective interest rate for the six months ended 30 June 2011 was 2.08% per annum.

15. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK$0.10 each	
	Number of shares	**Amount**
		HK$'000
At 31 December 2010 and 30 June 2011	10,000,000,000	1,000,000

	Issued and fully paid	
	Ordinary shares of HK$0.10 each	
	Number of shares	**Amount**
		HK$'000
At 1 January 2010 (Audited)	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
Exercise of share options	730,000	73
At 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	399,736,829	39,974

16. 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"), which were classified as financial liabilities designated at fair value through profit or loss and were measured at fair value using Binomial pricing model in accordance with a valuation report prepared by an independent valuer.

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

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 and entitle the bondholders to convert to ordinary shares at a conversion price of HK$1 per ordinary share thereafter. 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.

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 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 in 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. 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.

The movements of the Convertible Bonds and the HK$10M Optional Bonds in accordance with a valuation report prepared by an independent valuer using Binomial pricing model as at 9 April 2010 and 21 April 2010 are summarised as below:

Financial liabilities designated at fair value through profit or loss

	HK$'000
Balance at date of issue	10,000
Fair value change	1,184
Balance at 31 December 2009 (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)
Balance at 30 June 2010 (Unaudited), 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	–

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

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
Conversion of the HK$10M Optional Bonds into shares recognised to equity	(23,094)
Balance at 30 June 2010 (Unaudited), 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	–

Optional bonds

	HK$'000
Subscription at 21 April 2010	10,000
Conversion of the HK$10M Optional Bonds into shares recognised to equity	(10,000)
Balance at 30 June 2010 (Unaudited), 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	–

17. FINANCIAL GUARANTEE

As at 30 June 2011, 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 2010: HK$130 million). As at 30 June 2011, HK$40 million banking facilities was utilised by VC Brokerage Limited (31 December 2010: HK$40 million). The fair value of the financial guarantee contract is immaterial.

18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**223**	151

The balances with related parties are set out on the unaudited condensed consolidated statement of financial position of the Group and in notes 11 and 13.

19. EVENT AFTER THE REPORTING PERIOD

On 9 June 2011 and 8 July 2011, the Company entered into a placing agreement and a supplemental agreement with a placing agent respectively whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 79,900,000 warrants at an issue price of HK$0.05 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 (subject to adjustment), which can be exercised at any time during a period of 12 months commencing from the date of issue of the warrants. The maximum net proceeds from the placing and issue of the warrants will be approximately HK$3.7 million and the maximum net proceeds from the exercise of the subscription rights attaching to the warrants will be approximately HK$101.1 million. The Company intends to use these net proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. The placing and issue of 79,900,000 warrants as aforementioned had been completed on 14 July 2011. Details were set out in the Company's announcements dated 9 June 2011, 8 July 2011 and 14 July 2011 respectively.

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 2011 (six months ended 30 June 2010: Nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 18 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 2011 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, 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 (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. Zhou Wentao	Held by associate	Spouse Interest	8,816,000 *(Note 3)*	2.21%
Mr. Lam Cho Ying, Terence Joe	Beneficial owner	Personal	572,000	0.14%

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

Name of Director	Number of share options: Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Outstanding at 30 June 2011	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK$
Dr. Lee Jun Sing	491,057	–	–	491,057	0.12%	9 July 2002	9 January 2003 – 8 July 2012	1.00

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

Name of Director	Number of share options: Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Outstanding at 30 June 2011	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise Price HK$
Dr. Lee Jun Sing	500,000	–	–	500,000	0.13%	26 November 2009	26 November 2009 – 25 November 2012	2.07
Mr. Chau King Fai, Philip	2,000,000	–	–	2,000,000	0.50%	26 November 2009	26 November 2009 – 25 November 2012	2.07
Mr. Cheng Tze Kit, Larry	300,000	–	–	300,000	0.07%	26 November 2009	26 November 2009 – 25 November 2012	2.07
	1,700,000	–	–	1,700,000	0.43%	18 January 2010	18 January 2010 – 17 January 2013	1.84
Sub-total	2,000,000	–	–	2,000,000	0.50%			
Ms. So Wai Yee, Betty	300,000	–	–	300,000	0.07%	26 November 2009	26 November 2009 – 25 November 2012	2.07
	1,700,000	–	–	1,700,000	0.43%	18 January 2010	18 January 2010 – 17 January 2013	1.84
Sub-total	2,000,000	–	–	2,000,000	0.50%			
Mr. Lam Cho Ying, Terence Joe	3,500,000	–	–	3,500,000	0.88%	26 November 2009	26 November 2009 – 25 November 2012	2.07
Total	**10,000,000**	**–**	**–**	**10,000,000**	**2.51%**			

Notes:

1. As at 30 June 2011, the total number of issued ordinary shares of the Company was 399,736,829.

2. Dr. Lee Jun Sing was 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. Mr. Zhou Wentao was deemed to be interested in 8,816,000 ordinary shares of the Company, which were held by his spouse.

4. The share options mentioned above represent personal interests held by the relevant Directors of the Company as beneficial owners.

5. During the six months ended 30 June 2011, no share options mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30 June 2011, 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 2011, other than the interests of the Directors or Chief Executive of the Company as disclosed above, there were no persons/corporations had interested 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.

Save as disclosed above, as at 30 June 2011, the Company had 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 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 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 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 2011 were set out below:

(a) GEM Share Option Scheme

	Number of share options							
Category of participant	**Outstanding at 1 January 2011**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2011**	**Date of grant**	**Share options duration**	**Exercise price** *HK$*
Directors[1]	491,057	–	–	–	491,057	9 July 2002	9 July 2002 – 8 July 2012	1.00
Employees[1]	4,942	–	–	–	4,942	9 July 2002	9 July 2002 – 8 July 2012	1.00
Other eligible persons[1]	344,140	–	–	–	344,140	9 July 2002	9 July 2002 – 8 July 2012	1.00
Other eligible persons[1]	100,000	–	–	–	100,000	25 March 2004	25 March 2004 – 24 March 2014	0.64
Sub-total	444,140	–	–	–	444,140			
Total	**940,139**	**–**	**–**	**–**	**940,139**			

Note:

1. 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 of grant, all shares comprised in the share options which were not previously exercised can be exercised.

(b) 2009 Share Option Scheme

Category of participant	Number of share options: Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2011	Date of grant	Share options duration	Exercise price HK$
Directors[1]	6,600,000	–	–	–	6,600,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Directors[1]	3,400,000	–	–	–	3,400,000	18 January 2010	18 January 2010 – 17 January 2013	1.84
Sub-total	10,000,000	–	–	–	10,000,000			
Employees[1]	5,564,000	–	–	–	5,564,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Other eligible persons[1]	1,200,000	–	–	–	1,200,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Total	**16,764,000**	**–**	**–**	**–**	**16,764,000**			

Note:

1. 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.

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.

During the six months ended 30 June 2011, there were no shares awarded by the Company to any Directors, Chief Executive and employees of the Company and/or its subsidiaries under the Share Purchase Scheme and the Share Subscription Scheme.

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 2011.

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 2011, the Company has applied the principles and complied with all provisions 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:

Under the code provision A.4.1 of the HKSE Code, non-executive directors should be appointed for a specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. However, under the article 92 of the Articles of Association of the Company, all Directors, including non-executive directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The 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 has set up the following board committees to ensure maintenance of a high corporate governance standard:

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

The terms of reference of all the aforesaid board committees have been posted on the Company's website under the section "Corporate Governance".

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 Group's unaudited condensed consolidated financial statements and results for the six months ended 30 June 2011.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

Mr. Lam Cho Ying, Terence Joe, a non-executive Director of the Company, is appointed as the chief executive officer of Polaris Securities (Hong Kong) Limited ("Polaris") on 15 July 2011. As the business of Polaris consists of securities, futures and options brokering and asset management, the Directors of the Company believe that there is a potential risk that such business may compete with the business of the Group.

Save as disclosed above, as at 30 June 2011, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates have any business or interest in a business which competes or may compete with the business of the Group.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive Directors, namely, Mr. Chau King Fai, Philip; Mr. Cheng Tze Kit, Larry *(Chief Investment Officer)*, Ms. So Wai Yee, Betty *(Chief Financial Officer)*, Ms. Lam Yuk Ying, Elsa, Mr. Zhou Wentao and Mr. Tin Ka Pak, Timmy; 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.