VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821

www.vcgroup.com.hk

Annual Report **2011**

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

Corporate Information

Directors

Dr. LEE Jun Sing* *(Chairman)*
Mr. HA Shu Tong# *(Chief Executive Officer)*
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#
Mr. TIN Ka Pak, Timmy#
Ms. WANG Ying*
Mr. LAM Kwok Hing, Wilfred^
Mr. LAM Ka Wai, Graham^
Mr. IP Chun Chung, Robert^
Mr. WONG Chung Kin, Quentin^

Executive Director
* Non-executive Director
^ Independent Non-executive Director

Executive Committee

Mr. HA Shu Tong
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
Ms. SO Wai Yee, Betty
Ms. LAM Yuk Ying, Elsa
Mr. ZHOU Wentao
Mr. TIN Ka Pak, Timmy
Mr. NG Man Hoi, Paul$^{\Delta}$
Mr. WONG Man Hin, Charles$^{\Delta}$
Ms. FUNG Wai Har, Amanda$^{\Delta}$

$^{\Delta}$ non-voting co-opted member

Audit Committee

Mr. LAM Ka Wai, Graham *(Chairman)*
Mr. LAM Kwok Hing, Wilfred
Mr. IP Chun Chung, Robert
Mr. WONG Chung Kin, Quentin

Remuneration Committee

Mr. LAM Kwok Hing, Wilfred *(Chairman)*
Mr. LAM Ka Wai, Graham
Mr. IP Chun Chung, Robert
Mr. WONG Chung Kin, Quentin

Nomination Committee

Mr. IP Chun Chung, Robert *(Chairman)*
Mr. CHAU King Fai, Philip
Mr. LAM Kwok Hing, Wilfred
Mr. LAM Ka Wai, Graham
Mr. WONG Chung Kin, Quentin

Finance Committee

Mr. CHAU King Fai, Philip *(Chairman)*
Ms. SO Wai Yee, Betty
Mr. NG Man Hoi, Paul$^{\Delta}$
Ms. FUNG Wai Har, Amanda$^{\Delta}$

$^{\Delta}$ non-voting co-opted member

Regulatory Compliance Committee

Mr. CHAU King Fai, Philip *(Chairman)*
Ms. SO Wai Yee, Betty
Mr. NG Man Hoi, Paul
Ms. FUNG Wai Har, Amanda

Authorised Representatives

Mr. CHAU King Fai, Philip
Ms. WONG Yee Wah

Company Secretary

Ms. WONG Yee Wah

Registered Office

28th Floor, The Centrium
60 Wyndham Street
Central, Hong Kong

Auditor

Deloitte Touche Tohmatsu

Principal Banker

Standard Chartered Bank (Hong Kong) Limited

Share Registrar and Transfer Officer

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26th Floor, Tesbury Centre
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Wahchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 821

Company Homepage/Website

http://www.vcgroup.com.hk

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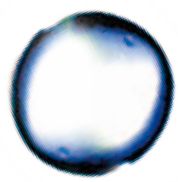
CONTENTS

Year 2011 was full of challenges to the global financial markets, China and Hong Kong stock markets and Value Convergence Holdings Limited and its subsidiaries (the "Group").

During the year, the world's major financial markets were facing a number of challenges and uncertainties. In early 2011, it seemed that the global markets had been gradually recovered from the aftershocks of the financial tsunami brunt in 2008. And there was indication that the European sovereign debt crisis would be solved. However, since the massive 9.0-magnitude earthquake happened in Japan in March 2011 and the subsequent tsunami and radiation leakage crisis, the



CHAIRMAN'S STATEMENT

global stock markets had been dragged down again. The poor market sentiment making the global initial public offering activities around the world were obstructed, particularly in the Asia Pacific region. Further, starting from mid 2011, given the political unrest happened in the Middle East and North Africa affecting the oil price, the European sovereign debt problems re-emerged and seriously spreading from Greece to other European countries, and even the credit ratings of the US, Greece, Italy and Spain, etc, were downgraded by some major credit rating agencies, the global capital markets were again dampened and the market sentiment certainly was impacted.

Hong Kong, as the international financial center, could not escape from being impacted. The local stock market was highly frustrating, particularly in the second half of the year, while the average daily trading turnover had even dropped to about HK$66 billion as compared to about HK$73.6 billion in the first half of the year.

Being one of the major financial services providers in Hong Kong, the business performance of the Group was inevitably affected by the unfavourable local market sentiment. However, the Group had continuously striven to perform so as to minimize the negative impacts from different aspects and prepare ourselves for future business and development opportunities. For the year ended 31 December 2011, the Group's consolidated revenue amounted to approximately HK$92.9 million, which had decreased by about 20% as compared with the same period in 2010, and recorded a consolidated loss attributable to shareholders amounting to approximately HK$26.7 million against a consolidated loss of approximately HK$88 million for the same period in 2010.

Looking forward, the Group expects 2012 to be still challenging to the financial sector. Nevertheless, the Group will continue to focus on applying our excellent operational capabilities to serve customers, pursuing diversification and acquisition and pushing for innovation so as to make sure we will be able to reap benefits when the financial market rebounds fully in the near future.

On behalf of the Board of Directors, I would like to express my gratitude to our business partners, valued customers and shareholders for their steadfast support in the past year. Our intelligent, creative, dedicated and professional management team and staff are the most valuable asset in this extremely competitive and challenging global environment. I also take this opportunity to thank our colleagues for their hard work, loyal services and contributions during the year. I believe that with the Group's diversified financial services and the professionally knowledgeable management team and the solid and continuous backup of our business partners, we are able to seize any opportunities that promise to deliver greater returns for our shareholders.

Dr. Lee Jun Sing
Chairman

Hong Kong, 22 March 2012

Value Convergence Holdings Limited (the "Company") 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 (the Company and its subsidiaries) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENT AND DEVELOPMENT

On 9 June 2011 and 8 July 2011, the Company entered into a placing agreement and a supplemental agreement with a placing agent (the "Placement") 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 to not less than six independent placees at an issue price of HK$0.05 per warrant (the "Warrant(s)"). The Placement was completed on 14 July 2011 and a total of 79,900,000 Warrants was placed and issued on the same date. Each

Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 (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. The net proceeds from the placing and issue of the Warrants was 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 Placement 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. Details of the Placement were set out in the Company's announcements dated 9 June 2011, 8 July 2011 and 14 July 2011 respectively.

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 31 December 2011. There were 79,900,000 outstanding Warrants as at 31 December 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. The world's major financial markets were facing a number of challenges and uncertainties in 2011, and the global stock markets were highly volatile, making the market sentiment was deeply impacted, particularly in the second half of the year.

In March 2011, Japan was hit by a massive 9.0-magnitude earthquake and the subsequent tsunami and radiation leakage crisis, which not only affected the Japanese economy but also dragged down the world's stock markets. The poor market sentiment making the global initial public offering activities around the world were obstructed, particularly in the Asia Pacific region. Further, starting from mid 2011, the political unrest happened in the Middle East and North Africa affecting the oil price, also added more uncertainties to the investment markets. In addition, European sovereign debt problems re-emerged in the second half of 2011 and liked a virus seriously spreading from Greece to other

European countries. Together with the US, the credit ratings of Greece, Italy and Spain, etc, one after another were downgraded by some major credit rating agencies and all with negative economic outlooks. Meanwhile, though the China economy remained strong and looked promising in 2011, China implemented a tight monetary policy with a series of measures, including increasing interest rate and reserve requirement ratio, to curb property prices so as to crack down on the overheated property market.

Being the international financial center, Hong Kong was inevitably affected by the negative global conditions. The Hong Kong economic environment was still full of challenges and uncertainties in 2011, particularly in the second half of the year. As aforementioned, affected by the negative factors including the European/US debt crisis and the Chinese central government tightening monetary policy, the local stock market in 2011 remained volatile and the market sentiment was even dampened. These were fully reflected through the Hong Kong daily trading turnover, market capitalization and other various market indexes. The Hong Kong stock market's average daily trading turnover had dropped continuously during the second half of 2011, particularly in November and December. In January 2011, the average daily trading turnover was approximately HK$75 billion while the figure in December 2011 was down to HK$46.5 billion, which represented a drop of about 38.1%. Meanwhile, the total market capitalization decreased by about 16.8% from approximately HK$21,077 billion as at 31 December 2010 to HK$17,537 billion as at 31 December 2011. Further, the Hang Seng Index ("HSI") closed at 18,434 as at 31 December 2011 and dropped by about 20% from 23,035 at the end of 2010. The Hang Seng China Enterprises Index closed at 9,936 as at 31 December 2011 and also dropped by about 21.7% from 12,692 as at 31 December 2010.

Nevertheless, during the first half of 2011, though volatile, the Hong Kong stock market witnessed a reasonable good investment sentiment, in which the average daily trading turnover was approximately HK$73.6 billion in the first half of 2011 and the HSI reached more than 24,000 early in the year. In the second half of 2011, the average daily trading turnover fell to approximately HK$66 billion and the HSI bottomed to around 16,000 in early October, dropping continuously from around 21,000 in August, revealing that the local investors' sentiment were suppressed by the market uncertainties. Given the better stock market performance in the first half of the year, the average daily trading turnover of the Hong Kong stock market for the year ended 31 December 2011 as a whole had slightly increased by about 1% from previous year to approximately HK$69.7 billion, but still greatly underperformed the level before the financial tsunami brunt in 2008.

Because of the nature of the Group's core business in financial services, our business performance in 2011 could not escape from being affected by the abovementioned negative global and local economic and market conditions. Even there were extension of trading hours of the Hong Kong securities and derivatives markets from early March 2011 aiming to link up with other major financial markets, and the launch of listing, trading and clearing services for Renminbi products from late April 2011 in the local stock market, these did not stimulate the investors' sentiment and benefit the transaction volume significantly to the Group. Meanwhile, many regulatory and operational changes in relation to the operation of securities, futures and options brokering business, one of the Group's major businesses, were implemented in 2011 and it is expected that more will be launched in 2012. The Group therefore has to adopt appropriate measures and incur more resources to cope with these changes and developments. Nevertheless, the Group had continuously striven to perform so as to minimize all these negative impacts and always prepare ourselves for future business and development opportunities.

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 year ended 31 December 2011 please refer to the section "FINANCIAL REVIEW" below.

OUTLOOK

Looking ahead, the Group expects 2012 to be still challenging to the financial sector. The world's financial markets still face different uncertain factors. With the European sovereign debt problems unresolved, the slowdown in economic growth plus decreased import demand in Europe and the US are inevitably, which certainly will also affect the Asia markets which major in export. If the European debt crisis could not be handled properly, market conditions are expected to keep volatile, and the market sentiment will be difficult to improve.

Yet, China still achieved a 9.2% GDP growth in 2011 and has set its GDP growth target at 7.5% for 2012. Considering the strong economic ties between Hong Kong and the Mainland, and the 12th Five-year Plan delivered in March 2011 aiming to promote closer economic partnership arrangements and regional economic development, consolidate Hong Kong's position as the international financial center, and further strengthen collaboration among Hong Kong, Macau and the Mainland. Given the above, we expect Hong Kong could still benefit from China's coming policies and relatively optimistic economic prospects, though the global markets are still full of challenges and uncertainties in 2012.

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 year ended 31 December 2011, the Group's consolidated revenue was approximately HK$92.9 million, which had decreased by about 20% as compared with the same period in 2010. The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$26.7 million for the year ended 31 December 2011 against a consolidated loss of approximately HK$88 million for the same period in 2010. For the year ended 31 December 2010, excluding 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 in 2009 and 2010 respectively; (2) the loss of approximately HK$36.9 million arising from the disposal of the Macau land held by the Group's jointly controlled entities; and (3) the goodwill impairment of approximately HK$8.2 million in relation to the corporate finance business as well as the reversal of the deferred tax asset of HK$1.1 million, which were major non-cash and/or non-recurring nature items, the Group generated a consolidated loss of approximately HK$7.8 million.

To facilitate the review, the Group's segment information shown in note 7 to the consolidated financial statements is reproduced below after some re-arrangements:

	Year ended 31 December 2011 *HK$'000*	Year ended 31 December 2010 *HK$'000*
Segmental results:		
Brokerage	**903**	16,765
Corporate Finance	**(6,903)**	(8,193)
Asset Management	**(1,611)**	(1,301)
Group operating (loss) profit	**(7,611)**	7,271
Share of loss of jointly controlled entities	**–**	(37,832)
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)
Impairment of goodwill	**–**	(8,151)
Impairment loss on available-for-sale investment	**(241)**	–
Unallocated costs	**(18,842)**	(12,575)
Loss before taxation	**(26,694)**	(85,270)
Income tax expense	**(550)**	(3,666)
Loss for the year	**(27,244)**	(88,936)
Non-controlling interests	**584**	951
Loss for the year attributable to shareholders of the Company	**(26,660)**	(87,985)

Brokerage

For the year ended 31 December 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$81.7 million, representing a decrease of about 26% from HK$110.8 million for the same period last year. The significant drop in brokerage revenue was mainly due to the decrease in brokerage commission to approximately HK$44 million for the year ended 31 December 2011 from HK$65.9 million for the same period last year, representing a decrease of about 33%, which reflected the poor market sentiment. Net brokerage commission income was relatively decreased by about 32% to approximately HK$16.9 million from HK$25 million. As mentioned in the section "BUSINESS REVIEW" above, the average daily trading turnover of the Hong Kong stock market had dropped continuously during the year, especially in the fourth quarter of 2011 which the average daily trading turnover had even dropped to approximately HK$59.3 billion.

Meanwhile, the Group's interest income from financing business had also decreased by about HK$3.3 million to approximately HK$31.7 million for the year ended 31 December 2011, representing a drop of about 9% as compared with the same period last year. This was attributable to the decrease of our average loan portfolio by about 7% to approximately HK$386.4 million for the year ended 31 December 2011 from HK$414.6 million for the same period last year, resulting in the decrease in revenue from interest income. In view of the uncertain market conditions, the Group will further strengthen our credit control policies and procedures including the review of our clients' creditworthiness and credit limits so as to minimize our credit risk exposure.

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 year ended 31 December 2011, the same as other revenue streams, the Group's placing and underwriting commission generated had also decreased to approximately HK$5.9 million (2010: HK$9.8 million) due to the slowdown in the pace of both the primary and secondary market financing affected by the volatile global economy. Nevertheless, the Group will continue to put efforts to capture the opportunities towards initial public offerings and other fund raising exercises in Hong Kong once the market sentiments improved.

In addition, for the year ended 31 December 2011, the Group had made an additional impairment of HK$4.8 million (2010: Nil) for accounts receivable arising from the ordinary course of business of dealing in securities transactions in accordance with the Group's established credit policies and procedures which were principally based on the doubtful unsecured exposure having assessed the fair values of the clients' collaterals held, the evaluation of collectability and aging analysis of the client accounts.

As a result, the operating performance of the brokerage and related businesses in 2011 was significantly worse than that of last year, especially in the fourth quarter of 2011. For the year ended 31 December 2011, the operating profit before taxation generated from the brokerage business was approximately HK$0.9 million (2010: HK$16.8 million), and its operating profit after taxation was approximately HK$0.5 million (2010: HK$14.2 million).

Corporate Finance

During the year ended 31 December 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 two companies to seek for listing on both the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Main Board of the Stock Exchange, in which VC Capital was appointed as the sole sponsor and joint sponsor respectively. Further, during the year ended 31 December 2011, the Group had put more efforts and resources in developing and extending our China network with an aim to explore more business opportunities and developments in China.

For the year ended 31 December 2011, the Group's corporate financial advisory and related businesses recorded revenue totaling approximately HK$11.2 million (2010: HK$4.9 million), and generated an operating loss before taxation of approximately HK$6.9 million (2010: HK$8.2 million) and operating loss after taxation of approximately HK$7.1 million (2010: HK$9.3 million). Its performance in 2011 was improved as compared to that of the same period in 2010 and even in 2009. This demonstrated that the Group had successfully captured the growing business opportunities 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. However, as mentioned in the section "BUSINESS REVIEW" above, due to the continuous poor market sentiment, many companies had delayed their initial public offerings plans and even some merger and acquisition transactions had also been on hold since the second half of 2011. As such, the operating performance of the corporate finance business had gone downward in the second half of 2011. Nevertheless, it is still expected that the Group can capture the growing business opportunities from the more favourable market conditions after the return of a bullish market.

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 in November 2010. From the disposal, the Group recognised a loss of approximately HK$36.9 million for the year ended 31 December 2010, which was separately included in the share of loss of jointly controlled entities as mentioned in the section "Share of loss of jointly controlled entities" below.

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 year ended 31 December 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$1.6 million (2010: HK$1.3 million), which mainly representing the general operating expenses incurred for such business.

Share of loss of jointly controlled entities

For the year ended 31 December 2011, the Group did not recognise any gain or loss from the jointly controlled entities. In 2010, the Group recognised a loss of approximately HK$37.8 million from the jointly controlled entities, which included the loss of approximately HK$36.9 million from the disposal of the Macau land as abovementioned and the share of the jointly controlled entities' general operating expenses of approximately HK$0.9 million incurred in 2010.

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 year ended 31 December 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 2011 and 2010, the Group did not have any outstanding convertible bonds and optional bonds. Details had been given in note 30 to the consolidated financial statements.

Impairment of goodwill

For the year ended 31 December 2011, the Group did not recognise any impairment of goodwill. For the year ended 31 December 2010, the goodwill attributable to the corporate finance business of approximately HK$8.2 million was fully impaired to the profit or loss as there was impairment indication after consideration of its cash flow projections. Details had been given in note 15 to the consolidated financial statements.

Unallocated costs

For the year ended 31 December 2011, the unallocated costs of the Group was approximately HK$18.8 million as compared to approximately HK$12.6 million for the same period in 2010, which mainly included the unallocated corporate rental and utility expenses, staff costs and related expenses, and professional costs, etc. The increase in unallocated costs for the current year was primarily due to the increase of the staff costs.

Finance costs

During the year ended 31 December 2011, the finance costs of the Group was approximately HK$0.9 million (2010: HK$1.1 million), in which all were incurred in relation to the short-term bank loans utilised for the brokerage business.

Income tax expense

During the year ended 31 December 2011, the estimated income tax expense of the Group amounted to approximately HK$0.6 million (2010: HK$3.7 million). The income tax expense for the current year was mainly the provision of income tax charge in relation to the profitability generated from the brokerage business. The income tax expense for the previous year was derived from the provision of income tax charge of approximately HK$2.6 million in relation to the profitability generated from the brokerage business and the reversal of the deferred tax asset of HK$1.1 million in relation to the goodwill impaired for the corporate finance 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 adopts a prudent treasury policy. As at 31 December 2011, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 31 December 2011.

The Group held banking facilities of HK$130 million granted from a bank to a subsidiary, VC Brokerage, as at 31 December 2011 (2010: HK$130 million), in which HK$80 million (2010: HK$80 million) was general short-term money market loan and current account overdraft and was currently required to be secured by bank deposits of HK$40 million (2010: HK$40 million), and the other HK$50 million (2010: HK$50 million) was short-term money market loan for margin financing business and was required to be secured by VC Brokerage's margin clients' listed securities when utilised. As at 31 December 2011, the Group had utilised the general short-term money market loan of HK$40 million (2010: HK$40 million), which bore an interest rate at HIBOR plus 2% per annum, by pledge of bank deposits of HK$40 million (2010: HK$40 million).

As at 31 December 2011, the Group's net current assets, bank balances and cash, and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$559.1 million (2010: HK$580.4 million), HK$321 million (2010: HK$115.5 million) and HK$568.7 million (2010: HK$588.1 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 9.5 as at 31 December 2011 (2010: 5.8).

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

As mentioned in the section "SIGNIFICANT EVENT AND DEVELOPMENT" above, the placing and issue of 79,900,000 Warrants at an issue price of HK$0.05 each was completed on 14 July 2011 and each Warrant carries the right to subscribe for one Subscription Share. The net proceed from the placing and issue of the Warrants was approximately HK$3.7 million. These 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 31 December 2011. The maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$101.1 million.

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. However, 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, the Share Placing Agreement was expired and lapsed. Details were set out in the Company's announcements dated 28 January 2011 and 31 May 2011.

Charges on group assets

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

Gearing ratio

As at 31 December 2011, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was still at a satisfactory level of 0.07 times (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 listing, trading and clearing services for Renminbi products in the local stock market in April 2011, the Renminbi currency exposure to the Group is still minimal at the early stage. During the year ended 31 December 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 31 December 2011, the Group had a total of 119 employees (2010:118), of whom 108 (2010: 114) were stationed in Hong Kong and 11 (2010: 4) in China.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$56.2 million and HK$24.3 million respectively for the year ended 31 December 2011 (2010: HK$46.7 million and HK$36.5 million respectively). The former one included equity-settled share-based payments of approximately HK$3.8 million for the year ended 31 December 2011 (2010: HK$4.4 million), in which part of these were included in the segment results and part thereof in the unallocated costs. Details had been given in notes 7 to 9 to the consolidated financial statements.

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 year ended 31 December 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 31 December 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.

Further, as at 31 December 2011, the Group did not have any significant commitments contracted but not provided for in the consolidated financial statements in respect of purchase of property, plant and equipment.

Contingent liabilities

As at 31 December 2011, the Company had given financial guarantees of HK$130 million (2010: HK$130 million) to a bank in respect of the banking facilities of HK$130 million provided to VC Brokerage as mentioned in the section “Liquidity and financial resources/capital structure” above. As at 31 December 2011, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (2010: HK$40 million).

DIRECTORS

Dr. LEE Jun Sing

Non-executive Director (Chairman)

Dr. Lee, aged 65, one of the founders of the Company, joined the Group in January 2000 and was appointed as the Chairman in September 2009. Before acting as Non-executive Director of the Company in August 2006, Dr. Lee served as an Executive Director of the Company. Dr. Lee is currently a director of numerous companies including iSinolaw Limited and Bio-Cancer Treatment International Limited.

Dr. Lee graduated with a Doctor of Philosophy in Physical Chemistry from Indiana University, the United States, and did his postdoctoral research at John Hopkins University, the United States.

Mr. HA Shu Tong

Chief Executive Officer & Executive Director

Mr. Ha, aged 63, joined the Group as Executive Director in September 2011. Currently, Mr. Ha is the Chief Executive Officer and a chairman of Executive Committee of the Company. Meanwhile, he is an independent non-executive director of Computer And Technologies Holdings Limited (Stock Code: 46), a company being listed on the Main Board of the Stock Exchange.

Mr. Ha has been involved in the financial industry for over 30 years and has substantial experience in corporate finance and corporate development.

Mr. CHAU King Fai, Philip

Executive Director

Mr. Chau, aged 50, joined the Group in May 2004 and was appointed as Executive Director of the Company in September 2009. Currently, Mr. Chau is the Managing Director of VC Capital Limited, a non-wholly owned subsidiary of the Company. He is also the chairman of the Regulatory Compliance Committee, a member of the Executive Committee, Nomination Committee and Finance Committee and a director of certain subsidiaries of the Company. Meanwhile, Mr. Chau is a non-executive director of China Electric Power Technology Holdings Limited (Stock Code: 8053), a company listed on the Growth Enterprises Market ("GEM") of the Stock Exchange.

Mr. Chau has over 25 years of experience in banking and corporate finance. He has held senior positions with several major international banks. Mr. Chau has been involved in numerous corporate finance transactions including floatation of various companies on stock exchanges in Hong Kong and the PRC, fund raising exercises of listed companies in the secondary market and financial advisory work of various nature for public and private companies in the Greater China region. Mr. Chau holds a bachelor degree in business administration majoring in finance from The Chinese University of Hong Kong.

Mr. CHENG Tze Kit, Larry

Chief Investment Officer & Executive Director

Mr. Cheng, aged 55, joined the Group as Non-executive Director in November 2009 and re-designated as Executive Director in December 2009. Currently, Mr. Cheng is the Chief Investment Officer, a member of the Executive Committee and a director of a subsidiary of the Company. Before joining the Group, Mr. Cheng was a director of Asia Consultants International Limited. Moreover, he was an independent non-executive director of Long Success International (Holdings) Limited (Stock Code: 8017), a company listed on the GEM of the Stock Exchange.

Mr. Cheng has over 21 years of experience in real estate development and mergers and acquisitions in Hong Kong, Canada and the PRC. He holds a Bachelor of Science (Hons) in Engineering from City University, London and a Master of Business Administration from the University of Management and Technology, Washington, D.C. Mr. Cheng is a Chartered Engineer of United Kingdom and a member of the Institution of Mechanical Engineers, the Institution of Engineering and Technology and the Chartered Institution of Building Services Engineers.

Ms. SO Wai Yee, Betty

Chief Financial Officer & Executive Director

Ms. So, aged 30, joined the Company as Non-executive Director in November 2009 and re-designated as Executive Director in January 2010. Currently, she is the Chief Financial Officer, the chairman of the Finance Committee, a member of the Executive Committee and Regulatory Compliance Committee and a director of certain subsidiaries of the Company. Before joining the Group, Ms. So was an independent non-executive director and a member of the audit committee and remuneration committee of China Public Procurement Limited (Stock Code: 1094), a company listed on the Main Board of the Stock Exchange and the financial controller of China Netcom Technology Holdings Limited (Stock Code: 8071), a company listed on the GEM of the Stock Exchange.

Ms. So has several years working experience in one of the major international accounting firms in Hong Kong. She graduated with a Bachelor of Business Administration (Accounting & Finance) degree from The University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. LAM Yuk Ying, Elsa

Executive Director

Ms. Lam, aged 51, joined the Group in February 2010 and was appointed as Executive Director of the Company in February 2011. Currently, she is a member of the Executive Committee of the Company and a director of VC Asset Management Limited, a non-wholly owned subsidiary of the Company.

Ms. Lam has over 10 years of experience in securities industry and more than 15 years of experience in the treasury function in several major banks. Prior to joining the Company, Ms. Lam was an associate director of Excalibur Hong Kong and held senior positions at Glory Sky Global Markets Limited and Kingston Securities Limited. She was also the head of treasury department of KBC Bank N.V. Ms. Lam holds Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 9 (Asset Management) regulated activities licences issued by the Securities and Futures Commission of Hong Kong.

Mr. ZHOU Wentao

Executive Director

Mr. Zhou, aged 40, joined the Group as Executive Director in February 2011. Currently, he is a member of the Executive Committee and a director of certain subsidiaries of the Company.

Mr. Zhou graduated from Southwest University of Political Science & Law in China and obtained a bachelor's degree in law. He worked for People's Government of Shenzhen Municipality of China as deputy head, head and deputy director between 1994 and 2002. Prior to joining the Company, Mr. Zhou was the chief executive officer of Shenzhen Jiu Yu Investment Company Limited (深圳九夷投資有限公司), vice president of China Nuclear Assets Management Limited (香港中國核子資產管理有限公司) and executive director of Hong Kong China Enterprise Fund Management Company (香港中企基金管理有限公司).

Mr. TIN Ka Pak, Timmy

Executive Director

Mr. Tin, aged 35, joined the Group as Executive Director in July 2011. Currently, he is a member of the Executive Committee of the Company. Prior to joining the Company, Mr. Tin was the executive director of PME Group Limited (Stock Code: 379) and China Oriental Culture Group Limited (Stock Code: 2371), both companies being listed on the Main Board of the Stock Exchange, and China Bio-Med Regeneration Technology Limited (Stock Code: 8158), a company listed on the GEM of the Stock Exchange.

Mr. Tin holds a Bachelor degree of Business Administration from Oxford Brookes University in the United Kingdom. Mr. Tin has several years management experience in listed companies, whose shares are listed on the Stock Exchange, duties including group management, strategic planning, investment evaluation and investor relationship.

Ms. WANG Ying

Non-executive Director

Ms. Wang, aged 59, joined the Group as Non-executive Director in January 2010. Currently, Ms. Wang is the Founder and Senior Advisor of United Global Resources, LLC, which is an international investment advisory and consulting firm. She is also the Director of the Board of Tianjin Commodity Exchange, the first privately owned commodity exchange in China and the President of China Business Consulting Inc. (USA) and Asia Consultants International Limited (HK).

From 1992 to 2002, Ms. Wang served as Vice President and Senior Advisor of the Cathay China Direct Investment Fund. She has participated in numerous joint ventures, initial public offering, trade and educational projects between the United States of America ("USA") and China. Ms. Wang also actively participates in non-profit programs. She serves as a member of the Board of the US Association for the UN University for Peace (UPEACE/US) and a member of the China Advisory Committee of the Grameen Foundation USA.

Ms. Wang received a Bachelor of Art from Tsinghua University, Beijing, China and a Master of Public Administration from Harvard University, USA. She has worked in the Chinese Government for 16 years. During her service in the Chinese Government, she was an English translator for top Chinese leaders, including the President and the Premier. She has served as Division Chief for Foreign Liaison and the Project Director for UNICEF WID. She also represented China on the Executive Board of UNICEF from 1989 to 1990.

Mr. LAM Kwok Hing, Wilfred

Independent Non-executive Director

Mr. Wilfred Lam, aged 52, joined the Group as Independent Non-executive Director in January 2010. Currently, he is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Wilfred Lam is the Justice of Peace of the Hong Kong Special Administrative Region of the People's Republic of China and has been awarded Queen's Badge of Honour in January 1997. Moreover, he is the group vice president of 3D-GOLD Jewellery (HK) Ltd, an executive director and group vice president of Hong Kong Resources Holdings Company Limited (Stock Code: 2882), a company listed on the Main Board of the Stock Exchange; the non-executive vice-chairman and non-executive director of National Arts Holdings Limited (Stock Code: 8228), a company listed on the GEM of the Stock Exchange, the non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145), a company listed on the Main Board of the Stock Exchange and the independent non-executive director of PME Group Limited (Stock Code: 379), a company listed on the Main Board of the Stock Exchange.

Mr. Wilfred Lam holds a bachelor's degree in Law with honours from the University of Hong Kong and is a practising solicitor of Hong Kong. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong. Being an active member in social and charity activities, Mr. Wilfred Lam is a Support Force Commander of the Civil Aid Service and Director of the Kwai Tsing District Community Development Fund in Hong Kong. He is also an executive member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province.

Mr. LAM Ka Wai, Graham

Independent Non-executive Director

Mr. Graham Lam, aged 44, joined the Group as Independent Non-executive Director in January 2010. Mr. Graham Lam is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. Currently, Mr. Graham Lam is the Managing Director and Head of Corporate Finance of an investment bank. He is also the independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), China Fortune Financial Group Limited (Stock Code: 290), Nan Nan Resources Enterprise Limited (Stock Code: 1229) and Pearl Oriental Oil Limited (Stock Code: 632), all companies being listed on the Main Board of the Stock Exchange; and China Railway Logistics Limited (Stock Code: 8089) and Trasy Gold Ex Limited (Stock Code: 8063), both companies being listed on the GEM of the Stock Exchange. Mr. Lam was the independent non-executive director of China Oriental Culture Group Limited (Stock Code: 2371) and Applied Development Holdings Limited (Stock Code: 519), both companies being listed on the Main Board of the Stock Exchange, and Finet Group Limited (Stock Code: 8317) and Hao Wen Holdings Limited (Stock Code: 8019), both companies being listed on the GEM of the Stock Exchange.

Mr. Graham Lam graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Graham Lam has around 18 years experience in investment banking as well as around 4 years experience in accounting and auditing.

Mr. IP Chun Chung, Robert

Independent Non-executive Director

Mr. Ip, aged 55, joined the Group as Independent Non-executive Director in March 2012. Mr. Ip is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is a practising solicitor in Hong Kong since 1985. Currently, Mr. Ip is the consultant with Messrs. Cheng, Yeung & Co., Solicitors. He is also the non-executive director and audit committee member of Poly (Hong Kong) Investment Limited (Stock Code: 119), a company being listed on the Main Board of the Stock Exchange and the independent non-executive director and audit committee member of China Data Broadcasting Holdings Limited (Stock Code: 8016), a company being listed on the GEM of the Stock Exchange.

Mr. Ip is a member of The Law Society of Hong Kong, The Law Society of England and Wales, The Law Society of Singapore and Law Society of Australia Capital Territories. He obtained his Bachelor Degree of Arts from the University of Hong Kong and studied for his Common Professional Examination and Solicitor's Final Examination in College of Law, Chester, United Kingdom and College of Law, Guildford, United Kingdom respectively. Mr. Ip has over 29 years of experience in legal aspects and more than 13 years experience in listing related and corporate, takeover, mergers and acquisition areas.

Mr. WONG Chung Kin, Quentin

Independent Non-executive Director

Mr. Wong, aged 40, joined the Group as Independent Non-executive Director in March 2012. Mr. Wong is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He has set up his own practice, Quentin Wong & Co. Certified Public Accountants (Practising) since 1 January 2005. Currently, Mr. Wong is an independent non-executive director and audit committee member of China Investment Fund Company Limited (Stock Code: 612), a company being listed on the Main Board of the Stock Exchange.

Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and Association of Chartered Certified Accountants. Meanwhile, he is a member of The Society of Chinese Accountants & Auditors and The Institute of Chartered Accountants in England & Wales. Mr. Wong holds a bachelor of Arts degree in Accounting and Financial Management from University of Essex and a master degree of Science in Internal Auditing and Management from The City University, London. He has over 10 years working experience in audit and accounting gained from a sizeable international firm and has had almost 7 years of practicing experience.

SENIOR MANAGEMENT

Mr. NG Man Hoi, Paul

Chief Operating Officer

Mr. Ng, aged 54, possesses over 26 years of experience in the finance and banking industry. Currently, he is the Chief Operating Officer of the Company, a member of the Regulatory Compliance Committee, a non-voting member of the Executive Committee and Finance Committee and a director of certain subsidiaries of the Company.

Mr. Ng joined the CEF Group in 1992 and was transferred to the present VC Brokerage Limited in December 2001. He was appointed as the Chief Operating Officer of the Company in January 2003. During his service with the CEF Group, Mr. Ng had assumed the positions of Group Financial Controller and Head of Group Operations & System, and had worked in Singapore for about 3 years. Prior to joining the CEF Group, he held responsible positions at The Chase Manhattan Bank, N. A. and Dao Heng Bank in the areas of financial management and management information systems. Mr. Ng holds a Master of Business Administration from Newport University, U.S.A.

Mr. WONG Man Hin, Charles

Managing Director of VC Brokerage Limited

Mr. Wong, aged 47, joined the Group in June 2004. Currently, he is the Managing Director of VC Brokerage Limited (a wholly owned subsidiary of the Company), a non-voting member of the Executive Committee of the Company and a director of certain subsidiaries of the Company.

Mr. Wong has more than 21 years of experience in securities and financial industry. Prior to joining the Group, Mr. Wong held senior management positions at various financial institutions including Kim Eng Securities (Hong Kong) Limited, Ong Asia Securities (HK) Limited, Core Pacific – Yamaichi International (H.K.) Limited and Yuanta Brokerage (HK) Limited.

Mr. Wong is a graduate of the University of East Asia, Macau and holds a Bachelor of Business Administration degree majoring in marketing.

Ms. FUNG Wai Har, Amanda

Finance Director

Ms. Fung, aged 40, joined the Group in September 2009. Currently, she is the Finance Director of the Company, a member of the Regulatory Compliance Committee and a non-voting member of the Executive Committee and Finance Committee of the Company.

Ms. Fung has over 17 years extensive professional accounting experience in the auditing, information technology, investment and financial services, and leisure and entertainment sectors. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She graduated with a Bachelor of Arts (Honours) Degree in Accountancy from The Hong Kong Polytechnic University.

The management of the Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. As such, the maintenance of a high standard of corporate governance has been and remains a top priority of the Group (Value Convergence Holdings Limited ("VC" or the "Company") and its subsidiaries). The Group is committed to promoting and maintaining the highest standard of corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group.

CORPORATE GOVERNANCE PRACTICES

(a) Application of Corporate Governance Principles and Promulgation of Company's Corporate Governance Code

The Company has applied the principles 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 of Hong Kong Limited (the "Listing Rules") with the aforementioned objectives in mind. To this end, 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 HKSE Code, 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. The Company Code has been posted on the Company's website under the section "Corporate Governance".

(b) Compliance of the Code Provision of the Company Code and HKSE Code

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the financial year ended 31 December 2011 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 ("Articles of Association"), 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 ("AGM") and each Director is effectively appointed under an average term of three years. The reasons 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.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the HKSE Code and the Company Code.

THE BOARD OF DIRECTORS – FUNCTION AND COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the director and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company, which is delegated to the Chief Executive Officer and the management. Lists of (1) duties and powers delegated to the Company's Chief Executive Officer and matters reserved for decision of the Board and (2) division of responsibilities between the Company's Chairman and Chief Executive Officer are given at the Company's website under the section "Corporate Governance".

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

The Board currently comprises a total of thirteen Directors, with seven Executive Directors, namely, Mr. Ha Shu Tong (Chief Executive Officer), 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; two Non-executive Directors, namely, Dr. Lee Jun Sing (Chairman) and Ms. Wang Ying; and four Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Lam Ka Wai, Graham, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin. The Non-executive Directors and Independent Non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management. Their mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Under the Article 101 of the Articles of Association, one third of the Directors must retire, thus becoming eligible for re-election at each annual general meeting. This year, Dr. Lee Jun Sing, Mr. Cheng Tze Kit, Larry and Mr. Lam Ka Wai, Graham will retire at the forthcoming annual general meeting ("2012 AGM") and being eligible to offer themselves for re-election. However, due to other business engagements which require more of their attention, Dr. Lee Jun Sing and Mr. Lam Ka Wai, Graham do not seek for re-election. Accordingly, Mr. Cheng Tze Kit, Larry being eligible, offer himself for re-election at the 2012 AGM.

Furthermore, under the Article 92 of the Articles of Association, any director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. As such, Mr. Ha Shu Tong (appointed as Executive Director on 7 September 2011), Mr. Tin Ka Pak, Timmy (appointed as Executive Director on 4 July 2011), Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin (both appointed as Independent Non-executive Director on 5 March 2012) shall also retire at the 2012 AGM and being eligible to offer themselves for re-election.

Biographical details of the retiring Directors have been set out in a circular, which will be sent to shareholders together with this annual report, to assist shareholders to make an informed decision on their re-elections.

BOARD MEETINGS

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in discharge of their duties.

In 2011, the Board held a total of eight meetings. The Chief Financial Officer and the Company Secretary of the Company also attended the board meetings to advise on statutory compliance, accounting and financial matters. All businesses transacted at the meetings were documented and maintained in accordance with applicable laws and regulations.

Set out below is the attendance record of each member of the Board at the board meetings for 2011 which illustrate the attention given by the Board in overseeing the Company's affairs:

	No. of meetings attended/held in 2011	**Attendance rate**	*Note*
Current Directors			
Dr. Lee Jun Sun* *(Chairman)*	8/8	100%	–
Mr. Ha Shu Tong# *(Chief Executive Officer)*	2/2	100%	1
Mr. Chau King Fai, Philip#	8/8	100%	–
Mr. Cheng Tze Kit, Larry# *(Chief Investment Officer)*	8/8	100%	–
Ms. So Wai Yee, Betty# *(Chief Financial Officer)*	8/8	100%	–
Ms. Lam Yuk Ying, Elsa#	6/6	100%	2
Mr. Zhou Wentao#	4/6	67%	3
Mr. Tin Ka Pak, Timmy#	3/3	100%	4
Ms. Wang Yang*	3/8	38%	–
Mr. Lam Kwok Hing, Wilfred^	7/8	88%	–
Mr. Lam Ka Wai, Graham^	5/8	63%	–
Mr. Ip Chun Chung, Robert^	N/A	N/A	5
Mr. Wong Chung Kin, Quentin^	N/A	N/A	6
Ex-directors			
Mr. Lam Cho Ying, Terence Joe+	5/7	71%	7
Mr. Tse On Kin^	3/8	38%	8

\# Executive Director

* Non-executive Director

^ Independent Non-executive Director

Notes:

1. Mr. Ha Shu Tong was appointed as Chief Executive Officer and Executive Director of the Company on 7 September 2011.

2. Ms. Lam Yuk Ying, Elsa was appointed as Executive Director of the Company on 23 February 2011.

3. Mr. Zhou Wentao was appointed as Executive Director of the Company on 23 February 2011.

4. Mr. Tin Ka Pak, Timmy was appointed as Executive Director of the Company on 4 July 2011.

5. Mr. Ip Chun Chung, Robert was appointed as Independent Non-executive Director of the Company on 5 March 2012.

6. Mr. Wong Chung Kin, Quentin was appointed as Independent Non-executive Director of the Company on 5 March 2012.

7. Mr. Lam Cho Ying, Terence Joe resigned as Non-executive Director of the Company on 1 November 2011.

8. Mr. Tse On Kin resigned as Independent Non-executive Director of the Company on 11 January 2012.

Procedure to Enable Directors to Seek Independent Professional Advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2011.

Securities Dealings 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (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 in 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 of the Listing Rules.

DELEGATION BY THE BOARD

Management Functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to board committees or management.

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas.

Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the board committees have been posted on the Company's website under the section "Corporate Governance".

(1) Executive Committee

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Ha Shu Tong, Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty, Ms. Lam Yuk Ying, Elsa, Mr. Zhou Wentao, Mr. Tin Ka Pak, Timmy and the Company's senior management (non-voting capacity), namely, Mr. Ng Man Hoi, Paul, Mr. Wong Man Hin, Charles and Ms. Fung Wai Har, Amanda. It oversees the implementation of the Company's strategic objectives and risk management policies and the business and operations of all of the business units of the Group. It holds meetings from time to time to discuss operational matters of the Company's business and new projects.

(2) Audit Committee

The Company's Audit Committee was established on 14 March, 2001. Currently, the Audit Committee consists of four Independent Non-executive Directors, namely, Mr. Lam Ka Wai, Graham (Chairman), Mr. Lam Kwok Hing, Wilfred, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin. Two of the Independent Non-executive Directors have the appropriate professional qualifications, accounting or related financial management expertise, as requested by the Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are (a) to review the Group's financial statements and published reports; (b) to provide advice and comments thereon to the Board; and (c) to review and supervise the financial reporting process and internal control procedures of the Group. Other details of the roles and functions of the Audit Committee are available on the Company's website under the section "Corporate Governance".

In 2011, the Audit Committee held a total of two meetings. The attendance record of each of the members is set out below:

	No. of meetings attended/held in 2011	Attendance rate	*Note*
Current Audit Committee Members			
Mr. Lam Ka Wai, Graham *(Chairman)*	2/2	100%	–
Mr. Lam Kwok Hing, Wilfred	2/2	100%	–
Mr. Ip Chun Chung, Robert	N/A	N/A	1
Mr. Wong Chung Kin, Quentin	N/A	N/A	2
Ex-audit Committee Members			
Mr. Tse On Kin	1/2	50%	3

Notes:

1. Mr. Ip Chun Chung, Robert was appointed as a member of the Audit Committee of the Company on 5 March 2012.

2. Mr. Wong Chung Kin, Quentin was appointed as a member of the Audit Committee of the Company on 5 March 2012.

3. Mr. Tse On Kin ceased as a member of the Audit Committee of the Company on 11 January 2012.

The Audit Committee had reviewed the Company's half-yearly and annual results and its system of internal control and had made suggestions to improve them. The Committee also carried out and discharged its duties set out in HKSE Code. In the course of doing so, the Audit Committee had met the Company's management and external auditors several times during 2011.

(3) Nomination Committee

Currently, the Nomination Committee is made up of the Company's Executive Director, Mr. Chau King Fai, Philip, and Independent Non-executive Directors, namely, Mr. Ip Chun Chung, Robert (Chairman), Mr. Lam Kwok Hing, Wilfred, Mr. Lam Ka Wai, Graham and Mr. Wong Chung Kin, Quentin.

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board; identifies individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

In 2011, the Nomination Committee held two meetings for reviewing the structure, size and composition of the Board. The attendance record of each of the Committee is set out below:

	No. of meetings attended/held in 2011	**Attendance rate**	*Note*
Current Nomination Committee Members			
Mr. Ip Chun Chung, Robert *(Chairman)*	N/A	N/A	1
Mr. Chau King Fai, Philip	2/2	100%	–
Mr. Lam Kwok Hing, Wilfred	2/2	100%	–
Mr. Lam Ka Wai, Graham	2/2	100%	–
Mr. Wong Chung Kin, Quentin	N/A	N/A	2
Ex-nomination Committee Members			
Mr. Tse On Kin *(Ex-chairman)*	1/2	50%	3
Mr. Lam Cho Ying, Terence Joe	2/2	100%	4

Notes:

1. Mr. Ip Chun Chung, Robert was appointed as the chairman of the Nomination Committee of the Company on 5 March 2012.

2. Mr. Wong Chung Kin, Quentin was appointed as a member of the Nomination Committee of the Company on 5 March 2012.

3. Mr. Tse On Kin ceased as the chairman of the Nomination Committee of the Company on 11 January 2012.

4. Mr. Lam Cho Ying, Terence Joe ceased as a member of the Nomination Committee of the Company on 1 November 2011.

(4) Remuneration Committee

Currently, the Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred (Chairman), Mr. Lam Ka Wai, Graham, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin.

The Remuneration Committee makes recommendations to the Board on policies and structure for remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determines the remuneration packages for Executive Directors and senior management and makes recommendations to the Board on the remuneration of Non-executive Directors. Other details of the role and function of the Remuneration Committee are given at the Company's website under the section "Corporate Governance".

In 2011, the Remuneration Committee held four meetings. The attendance record of each of the members is set out below:

	No. of meetings attended/held in 2011	**Attendance rate**	*Note*
Current Remuneration Committee Members			
Mr. Lam Kwok Hing, Wilfred *(Chairman)*	4/4	100%	–
Mr. Lam Ka Wai, Graham	4/4	100%	–
Mr. Ip Chun Chung, Robert	N/A	N/A	1
Mr. Wong Chung Kin, Quentin	N/A	N/A	2
Ex-remuneration Committee Members			
Mr. Tse On Kin	1/4	25%	3

Notes:

1. Mr. Ip Chun Chung, Robert was appointed as a member of the Remuneration Committee of the Company on 5 March 2012.

2. Mr. Wong Chung Kin, Quentin was appointed as a member of the Remuneration Committee of the Company on 5 March 2012.

3. Mr. Tse On Kin ceased as a member of the Remuneration Committee of the Company on 11 January 2012.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim of motivating Directors and employees in the continued pursuit of the Company's goal and objectives and to recognize their contributions to the Group, the Company has adopted the share option schemes under which the Company may grant share options to the Directors/selected employees/eligible persons to subscribe for the shares of the Company and two share award schemes, namely, The VC Share Purchase Scheme Trust and The VC Share Award Scheme Trust, under which the Company may grant awarded shares to the Directors/selected employees (Directors of the Company and its subsidiaries are not allowed to participate in The VC Share Award Scheme Trust).

Emoluments of Directors

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year, the Remuneration Committee has considered and approved bonus payments to Directors of the Company and the employees of the Group, salary increases for the Director, senior management and employees of the Group and the long-term equity granted to the management of the Group.

(5) Finance Committee

The Finance Committee is made up of the Company's Executive Directors, namely, Ms. So Wai Yee, Betty (Chairman) and Mr. Chau King Fai, Philip and senior management of the Company (non-voting capacity), namely, Mr. Ng Man Hoi, Paul and Ms. Fung Wai Har, Amanda.

It conducts review on matters such as the Group's financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets; and reviews major acquisitions and investments and their funding requirements. It holds meetings from time to time to discuss financial matters of the Company's new and existing business.

(6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Company's Executive Directors, namely Mr. Chau King Fai, Philip (Chairman) and Ms. So Wai Yee, Betty and senior management of the Company, namely, Mr. Ng Man Hoi, Paul and Ms. Fung Wai Har, Amanda.

It reviews and advises upon matters in respect of the present or future regulation of the Company's financial services businesses and compliance with applicable laws and regulations, including the Listing Rules. It holds meetings from time to time to discuss the ongoing compliance matters of the Group.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditor are set out on page 47.

INTERNAL CONTROL

Responsibility

The Board has the responsibility to ensure a sound system of internal control and risk management is established and maintained. A sound system of internal control and risk management is designed to safeguard the shareholders' investments and the Group's assets; and to maintain proper accounting records for the provision of reliable financial information. It aims to provide reasonable but not absolute assurance against material misstatement, fraud or loss.

Management Supervision

The Board has assigned the Executive Committee to oversee the implementation of the Group's internal control and risk management and to monitor the business and operations.

The Executive Committee and management have defined the organizational structure of the Group with clear reporting lines and authorities. Competent personnel are recruited to facilitate the establishment and maintenance of the internal control system.

The management endorses policies, procedures, codes and guidelines to mitigate significant inherent risks embedded in the operational activities. The "Code of Business Conduct and Ethics" is formulated and communicated to all staffs with the aim of cultivating high integrity and ethical values within the Group.

The Executive Committee conducts regular meetings to review business performance, key operations statistics and internal control issues.

Internal Audit Function

The Group has an internal audit function which reports directly to the Audit Committee. The annual internal audit plan is approved during the Audit Committee meeting. The Internal Auditor independently reviews and assesses the design and the effectiveness of the Group's system of internal control by adopting a risk-based audit approach, focusing on major processes and activities which are quantitatively or qualitatively significant to the Group. The Internal Auditor reports all significant internal control and risk management matters to the Audit Committee; and monitors the management resolution status.

Audit Committee Supervision

The Board has assigned the Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee conducts regular meetings with Senior Management, Internal Auditor and external auditor to review the financial statements and auditor's reports on financial and internal control matters. The Audit Committee reports to the Board on significant internal control matters, suspected frauds or irregularities, alleged infringement of laws and regulations, which come to their attention.

The Audit Committee, through the Internal Auditor, has conducted comprehensive risk assessments and internal control reviews on the design and the effectiveness of the Group's system of internal control for the year ended 31 December 2011, which covers the key controls for mitigating the major risks associated with the significant processes.

The Audit Committee has considered that the system of internal control is appropriately designed and effective. The Audit Committee has also assessed the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's Finance Department and considered that it is adequate.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since 2005. For the year ended 31 December 2011, the fees charged by the auditor for the audit of the Company and its subsidiaries amounted to HK$930,000. In addition, HK$115,700 was charged for non-audit services which include the review of the preliminary announcement of results of the Group and a subsidiary's provident fund scheme, and the provision of taxation services.

COMMUNICATION WITH SHAREHOLDERS

The Company regards the AGM an important event as it provides an opportunity for the Board to communicate with the shareholders of the Company. Notice of AGM and related papers are sent to the shareholders at least 20 clear business days before the meeting. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Company Secretary responds to letters and telephone enquiries from shareholders/investors. Shareholders and investors are welcome to raise enquiries through our email contact info@vcgroup.com.hk or by mail to our Company Secretary at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at http://www.vcgroup.com.hk also provides a medium to make information of the Company and the Group available to the shareholders under the section "Corporate Governance".

SHAREHOLDERS' RIGHTS

Pursuant to Article 65 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on requisition, as provided by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance"). In accordance with Section 113 of the Companies Ordinance, members holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company can request the Company to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

The Board (the "Board") of Directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011, together with the audited comparative figures for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 27 and 20 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 49 of this annual report.

No interim dividend was paid to the shareholders during the year (2010: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND SHARE AWARDS

Details of the movements in share capital, share options and share awards of the Company during the year are set out in notes 26 and 29 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company's reserves available for distribution to shareholders amounted to approximately HK$46,567,000 (2010: HK$36,690,000) in accordance with the provisions of section 79B of the Companies Ordinance.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$726,000 (2010: HK$891,000).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the past five financial years as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements.

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

The Company has not redeemed any of its shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2011.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Dr. LEE Jun Sing*, *Non-executive Chairman*
Mr. HA Shu Tong#, *Chief Executive Officer* (Appointed on 7 September 2011)
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# (Appointed on 23 February 2011)
Mr. ZHOU Wentao# (Appointed on 23 February 2011)
Mr. TIN Ka Pak, Timmy# (Appointed on 4 July 2011)
Ms. WANG Ying*
Mr. LAM Cho Ying, Terence Joe* (Resigned on 1 November 2011)
Mr. LAM Kwok Hing, Wilfred^
Mr. LAM Ka Wai, Graham^
Mr. TSE On Kin^ (Resigned on 11 January 2012)
Mr. IP Chun Chung, Robert^ (Appointed on 5 March 2012)
Mr. WONG Chung Kin, Quentin^ (Appointed on 5 March 2012)

Executive Director
* Non-executive Director
^ Independent Non-executive Director

In accordance with Article 92 of the Company's Articles of Association, any Director of the Company so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In accordance with this provision, Mr. Ha Shu Tong, Mr. Tin Ka Pak, Timmy, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin shall retire at the forthcoming annual general meeting ("AGM"), and being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, one-third of the Directors of the Company for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office. The Directors of the Company to retire every year shall be those who have been longest in office since their last election. In accordance with this provision, Dr. Lee Jun Sing, Mr. Cheng Tze Kit, Larry and Mr. Lam Ka Wai, Graham shall retire at the AGM, and being eligible, offer themselves for re-election. However, due to other business engagements which require more of their attention, Dr. Lee Jun Sing and Mr. Lam Ka Wai, Graham do not seek for re-election. Accordingly, Mr. Cheng Tze Kit, Larry being eligible, offer himself for re-election at the AGM.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the Independent Non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 15 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ha Shu Tong has entered into a service contract with VC Services Limited, a wholly owned subsidiary of the Company, on 12 September 2011, which may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to the Company's Articles of Association. The monthly salary of Mr. Ha Shu Tong as the Chief Executive Officer and Executive Director of the Company as at the date of this report is HK$142,140, plus year end discretionary bonus, which to be determined by the Board or the Remuneration Committee of the Company, payable in February each year.

The service contract of Ms. Lam Yuk Ying, Elsa has been transferred from VC Asset Management Limited, a non-wholly owned subsidiary of the Company, to VC Services Limited with effect from 1 January 2012. The service contract may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to the Company's Articles of Association. The monthly salary of Ms. Elsa Lam as the Executive Director of the Company as at the date of this report is HK$82,400, plus year end discretionary bonus, which to be determined by the Board or the Remuneration Committee of the Company, payable in February each year.

Apart from Mr. Ha Shu Tong and Ms. Lam Yuk Ying, Elsa, each of Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty, Mr. Zhou Wentao and Mr. Tin Ka Pak, Timmy has a service contract with VC Services Limited, which may be terminated by either party by written notice of not less than six months.

Mr. Chau King Fai, Philip has a service contract with VC Capital Limited, a non-wholly owned subsidiary of the Company, which may be terminated by either party by written notice of not less than six months.

Save as disclosed above, as at 31 December 2011 and the date of this report, none of the Directors of the Company has entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 33 to the 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 year or at any time during the year.

EMOLUMENT POLICY

The emolument policy for the Group's employees is set up by the Remuneration Committee of the Company. The Group's employees are selected on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the performance of individuals, the Group's operating results and comparable market statistics.

The Company has adopted the share option schemes and two share award schemes as an incentive to the Directors of the Company, the employees and other eligible person of the Group. Details of the schemes and the movements of the share options and awarded shares granted to the Directors, the employees and other eligible persons of the Group during the year are set out in the sections of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEMES" in this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as for the share option schemes and the share award schemes disclosed in note 29 to the consolidated financial statements and the warrants disclosed in note 28(3) to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 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 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	Interest of spouse	Personal	8,816,000 *(Note 3)*	2.21%

(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")*

	Number of share options							
Name of Director	**Outstanding at 1 January 2011**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 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")*

	Number of share options							
Name of Director	**Outstanding at 1 January 2011**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2011**	**Approximate % of issued share capital**	**Date of grant**	**Exercisable period**	**Exercise price**
								HK$
Dr. Lee Jun Sing	500,000	–	–	500,000	0.125%	26 November 2009	26 November 2009 – 25 November 2012	2.07
	–	500,000	–	500,000	0.125%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	500,000	500,000	–	1,000,000	0.25%			
Mr. Chau King Fai, Philip	2,000,000	–	–	2,000,000	0.50%	26 November 2009	26 November 2009 – 25 November 2012	2.07
	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	2,000,000	1,000,000	–	3,000,000	0.75%			

Name of Director	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Outstanding at 31 December 2011	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price
	Number of share options							
								HK$
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
	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	2,000,000	1,000,000	–	3,000,000	0.75%			
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
	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	2,000,000	1,000,000	–	3,000,000	0.75%			
Ms. Lam Yuk Ying, Elsa	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Zhou Wentao	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Tin Ka Pak, Timmy	–	1,000,000	–	1,000,000	0.25%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Ms. Wang Ying	–	500,000	–	500,000	0.125%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Lam Kowk Hing, Wilfred	–	500,000	–	500,000	0.125%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Lam Ka Wai, Graham	–	500,000	–	500,000	0.125%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Tse On Kin *(Note 4)*	–	500,000	–	500,000	0.125%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Total	**6,500,000**	**8,500,000**	**–**	**15,000,000**	**3.75%**			

Notes:

1. As at 31 December 2011, the total number of issued ordinary shares of the Company was 399,736,829.

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. Mr. Zhou Wentao is taken to be interested in 8,816,000 ordinary shares of the Company, of which the shares are registered under Ms. Xui Yi, spouse of Mr. Zhou Wentao.

4. Mr. Tse On Kin resigned as Independent Non-executive Director of the Company on 11 January 2012.

5. During the year, no share options and awarded shares mentioned above were lapsed or cancelled.

6. Details of the GEM Share Option Scheme and the 2009 Share Option Scheme are set out under the section of "SHARE OPTION SCHEMES" in this report.

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

Save as disclosed above, as at 31 December 2011, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, none of the Directors of the Company or their respective associates have any competing interests in any business, which compete or may compete, either directly or indirectly with the businesses of the Company pursuant to the Listing Rules.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 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 31 December 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 an 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") (the GEM Share Option Scheme and the 2009 Share Option Scheme collectively are referred to as the "Schemes"). Summary of the Schemes are listed below.

Summary of the Schemes

(a) Purpose of the Schemes

The purpose of the Schemes is to recognize the contribution made by the participants to the Group and also provide them an opportunity to have a personal stake in the Company with the view to motivating them to optimize their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing business relationship with them whose contributions are beneficial to the long term growth of the Group.

(b) Participants of the Schemes

Pursuant to the Schemes, the Board may, at its discretion, to make an offer for the grant of share options to the employees or Directors of the Group or such other persons who are eligible for participation in the Schemes to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Schemes. No further share options may be granted under the GEM Share Option Scheme upon its termination on 15 August 2008.

(c) Total number of shares available for issue under the Schemes

The maximum number of shares of the Company which may be issued upon exercise of outstanding share options granted and yet to be exercised under the Schemes must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2009 Share Option Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the 2009 Share Option Scheme (i.e. 37,116,977 shares of the Company, which represented approximately 10% of the issued share capital of the Company as at 8 June 2009). The Company may seek approval of the Company's shareholders in a general meeting for refreshing the 10% limit under the 2009 Share Option Scheme save that the total number of shares of the Company which may be issued upon the exercise of all share options to be granted under the 2009 Share Option Scheme under the limit as "refreshed" may not exceed 10% of the total number of shares of the Company in issue as at the date of approval of the limit.

(d) Maximum entitlement of each participant

The total number of the shares of the Company issued and to be issued upon exercise of the share options granted and to be granted to any participant (including both exercised, cancelled and outstanding share options) in any twelve months up to the date of the grant to such participant shall not exceed 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

(e) Time of exercise of share option

Pursuant to the Schemes, any share option may be exercised in accordance with its terms at any time during a period to be determined and notified by the Board to each grantee, save that no share option may be exercised more than 10 years from the date on which the share option is deemed to have been granted and accepted in accordance with the terms of the Schemes. The Board may provide restrictions on the exercise of a share option during the option period.

(f) Payment on acceptance of share option

Pursuant to the Schemes, HK$1.00 is payable by the grantee to the Company on acceptance of the share option within 28 days from the date of grant of the share option.

(g) Basic of determining the subscription price of share option

The exercise price per share option under the Schemes shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date when share option is offered; (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which share option is offered; and (iii) the nominal value of a share of the Company on the date of the offer of share option.

(h) Remaining life of the Schemes

The GEM Share Option Scheme has no remaining life as no further share options may be granted but the provisions of the GEM Share Option Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the GEM Share Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

The 2009 Share Option Scheme will continue to be in full force and effect for a period of 10 years commencing on 8 June 2009 (save that the Company, by ordinary resolutions in general meeting or the Board, may at any time terminate the operation of the 2009 Share Option Scheme). After termination, no further share options will be granted but the provisions of the 2009 Share Option Scheme shall in all other respects remain in full force and effect and the share options which are granted during the life of the 2009 Share Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

Outstanding Share Options

As at 31 December 2011, options to subscriber for an aggregate of 35,752,139 ordinary shares of the Company granted pursuant to the Schemes were outstanding. Details of which were as follows:

(a) GEM Share Option Scheme

The movements of the share options during the year and outstanding as at 31 December 2011 under the GEM Share Option Scheme are as follows:

Category of participant	Number of share options: Outstanding at 1 January 2011	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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 of 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

The movements of the share options during the year and outstanding as at 31 December 2011 under the 2009 Share Option Scheme are as follows:

	Number of share options								
Category of participant	Outstanding at 1 January 2011	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011	Date of grant	Share options duration	Exercise Price
									HK$
Directors[1]	6,600,000	(3,500,000)	–	–	–	3,100,000	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
Directors[1]	–	(500,000)	9,000,000	–	–	8,500,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	10,000,000	(4,000,000)	9,000,000	–	–	15,000,000			
Employees[1]	5,564,000	–	–	–	(52,000)	5,512,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Employees[1]	–	–	9,100,000	–	–	9,100,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	5,564,000	–	9,100,000	–	(52,000)	14,612,000			
Other eligible persons[1]	1,200,000	3,500,000	–	–	–	4,700,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Other eligible persons[1]	–	500,000	–	–	–	500,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	1,200,000	4,000,000	–	–	–	5,200,000			
Total	**16,764,000**	**–**	**18,100,000**	**–**	**(52,000)**	**34,812,000**			

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-headed "Long Positions in the Shares and Underlying Shares of the Company" under the section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

During the year, no share options were cancelled under the Schemes.

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 "Subsidiary"). The shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to 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.

A summary of the principal terms of the Share Purchase Scheme and Share Subscription Scheme and movements of the awarded shares granted under these schemes is set out below:

(a) Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of adoption, i.e. 31 March 2008. The scheme limit of this scheme is 2% of the ordinary issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting).

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any employee (including any director of the Company or the subsidiary) to be a participant in the Share Purchase Scheme. The Board or the trustee of the Share Purchase Scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of shares, the trustee shall apply the same towards the purchase of shares on the Stock Exchange.

Vesting of the shares will be conditional on the selected employee remaining as an employee of the Company or the subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the shares. An award will lapse where the Company or the business division by which the selected employee is employed ceases to be part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his rights to receive the vested shares.

Where shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion, after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Purchase Scheme at any time provided that such termination shall not affect any subsisting rights of any selected employee. If, at the date of such termination, the trustee holds shares which have not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31 December 2011, there were no shares awarded by the Company to any Directors, Chief Executive and employees of the Company and/or its subsidiaries and outstanding under the Share Purchase Scheme.

(b) Share Subscription Scheme

The Share Subscription Scheme has a term of 20 years from the date of adoption, i.e. 31 March 2008. The scheme limit of this scheme is 1% of the ordinary issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting).

The Board may, from time to time at its absolute discretion select any employee (excluding any Director of the Company or any subsidiary and any other connected person of the Company) to be a participant of the Share Subscription Scheme. The Board or the trustee of the Share Subscription Scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such notional cash amount on the Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount or an amount equal to the par value of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

Vesting of the shares will be conditional on the selected employee remaining an employee of the Company or the subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the shares. An award will lapse where the Company or the business division by which the selected employee is employed ceases to be part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his rights to receive the vested shares.

Where shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Subscription Scheme at any time provided that such termination shall not affect any subsisting rights of any employee selected thereunder and provided further that if, at the date of such termination, the trustee holds any shares which it has not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31 December 2011, there were no shares awarded by the Company to any employees of the Company and/or its subsidiaries and outstanding under the Share Subscription Scheme.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenues attributable to the Group's five largest customers taken together were less than 30% of the Group's total revenues for the year ended 31 December 2011.

The Group had no major supplier due to the nature of principal activities of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2011 are disclosed in note 33 to the consolidated financial statements.

None of the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A 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. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in the Listing Rules for the year ended 31 December 2011 except the code provision A.4.1 in respect of the appointment of non-executive directors for specific terms.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 21 to 31 of this annual report.

AUDIT COMMITTEE

The Audit Committee, comprising the Independent Non-executive Directors of the Company, has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's consolidated financial statements and results for the year ended 31 December 2011. The Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the year ended 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained a sufficient public float under the Listing Rules throughout the year ended 31 December 2011.

AUDITOR

The financial statements of the Company for the year ended 31 December 2011 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board of
Value Convergence Holdings Limited
Ha Shu Tong
Chief Executive Officer & Executive Director

Hong Kong, 22 March 2012

Deloitte.
德勤

TO THE MEMBERS OF VALUE CONVERGENCE HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Value Convergence Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 114, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2012

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	7	**92,865**	115,629
Other income	7	**642**	598
Staff costs	8	**(80,466)**	(83,156)
Depreciation of property, plant and equipment	17	**(1,960)**	(2,063)
Amortisation of trading rights	16	**–**	(252)
Commission expenses		**(3,668)**	(6,257)
Finance costs	10	**(856)**	(1,107)
Other operating expenses		**(33,010)**	(28,696)
Share of loss of jointly controlled entities	20	**–**	(37,832)
Fair value changes on financial liabilities designated at fair value through profit or loss	30	**–**	(22,950)
Fair value changes on derivatives financial liabilities	30	**–**	(11,033)
Impairment of goodwill	15	**–**	(8,151)
Impairment loss on available-for-sale investment	21	**(241)**	–
Loss before taxation		**(26,694)**	(85,270)
Income tax expense	12	**(550)**	(3,666)
Loss for the year	11	**(27,244)**	(88,936)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**13**	(88)
Total comprehensive income for the year		**(27,231)**	(89,024)
Loss for the year attributable to:			
Owners of the Company		**(26,660)**	(87,985)
Non-controlling interests		**(584)**	(951)
		(27,244)	(88,936)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(26,647)**	(88,073)
Non-controlling interests		**(584)**	(951)
		(27,231)	(89,024)
Loss per share (HK cents)			
Basic	14	**(6.67)**	(22.47)
Diluted	14	**(6.67)**	(22.47)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Goodwill	15	–	–
Trading rights	16	–	–
Property, plant and equipment	17	3,563	3,504
Statutory deposits		2,988	3,059
Other intangible assets	19	1,547	547
Investments in jointly controlled entities	20	–	–
Available-for-sale investment	21	259	–
Rental and utility deposits		2,432	2,163
		10,789	9,273
Current assets			
Accounts receivable	22	258,283	542,409
Prepayments, deposits and other receivables	23	3,658	2,855
Loan to a jointly controlled entity	20	–	219
Tax recoverable		2,165	–
Pledged bank deposits	23	40,000	40,000
Bank balances and cash	23	321,018	115,478
		625,124	700,961
Current liabilities			
Accounts payable	24	19,365	65,346
Accrued liabilities and other payables		6,526	13,425
Amounts due to jointly controlled entities	23	–	1,378
Taxation payable		114	443
Short-term bank borrowings	25	40,000	40,000
		66,005	120,592
Net current assets		559,119	580,369
Total assets less current liabilities		569,908	589,642

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	26	**39,974**	39,974
Reserves		**528,755**	548,126
Equity attributable to owners of the Company		**568,729**	588,100
Non-controlling interests		**1,179**	1,542
Total equity		**569,908**	589,642

The consolidated financial statements on pages 49 to 114 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

Ha Shu Tong	**So Wai Yee, Betty**
DIRECTOR	*DIRECTOR*

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	27	**25,104**	12,557
Amounts due from subsidiaries	27	**424,228**	468,228
		449,332	480,785
Current assets			
Prepayments, deposits and other receivables	23	**164**	15
Loan to a jointly controlled entity	20	**–**	219
Amounts due from subsidiaries	27	**46,527**	30,487
Bank balances	23	**52,227**	26,885
		98,918	57,606
Current liabilities			
Accrued liabilities and other payables		**1,161**	475
Amounts due to subsidiaries	27	**13,820**	21,974
		14,981	22,449
Net current assets		**83,937**	35,157
Total assets less current liabilities		**533,269**	515,942
Capital and reserves			
Share capital	26	**39,974**	39,974
Reserves	28	**493,295**	475,968
Total equity		**533,269**	515,942

Ha Shu Tong
DIRECTOR

So Wai Yee, Betty
DIRECTOR

	Attributable to owners of the Company												
	Share capital	Shares held for share purchase scheme	Share premium	Capital reserve	Exchange reserve	Retained profits (Accumulated losses)	Share option reserve	Awarded shares compensation reserve	Other reserve	Warrant reserve	Sub-total	Attributable to non–controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note 1)					*(Note 2)*	*(Note 3)*			
At 1 January 2010	37,459	(2,029)	363,534	123,758	(854)	70,596	15,053	919	–	–	608,436	–	608,436
Loss for the year	–	–	–	–	–	(87,985)	–	–	–	–	(87,985)	(951)	(88,936)
Other comprehensive income for the year	–	–	–	–	(88)	–	–	–	–	–	(88)	–	(88)
Total comprehensive income for the year	–	–	–	–	(88)	(87,985)	–	–	–	–	(88,073)	(951)	(89,024)
Non-controlling interests arising on partial disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	202	–	202	1,998	2,200
Additional non-controlling interests arising on issue of new equity shares	–	–	–	–	–	–	–	–	–	–	–	495	495
Exercise of share options	515	–	7,470	–	–	–	–	–	–	–	7,985	–	7,985
Transfer of share option reserve upon exercise of share options	–	–	2,953	–	–	–	(2,953)	–	–	–	–	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	–	54	(54)	–	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	–	2,591	1,852	–	–	4,443	–	4,443
Share issue expenses	–	–	(25)	–	–	–	–	–	–	–	(25)	–	(25)
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 31 December 2010	39,974	–	427,064	123,758	(942)	(16,593)	14,637	–	202	–	588,100	1,542	589,642
Loss for the year	–	–	–	–	–	(26,660)	–	–	–	–	(26,660)	(584)	(27,244)
Other comprehensive income for the year	–	–	–	–	13	–	–	–	–	–	13	–	13
Total comprehensive income for the year	–	–	–	–	13	(26,660)	–	–	–	–	(26,647)	(584)	(27,231)
Difference arising on change in interest in a subsidiary	–	–	–	–	–	–	–	–	(221)	–	(221)	221	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	–	47	(47)	–	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	–	3,813	–	–	–	3,813	–	3,813
Issue of warrants	–	–	–	–	–	–	–	–	–	3,995	3,995	–	3,995
Warrants issue expenses	–	–	–	–	–	–	–	–	–	(311)	(311)	–	(311)
At 31 December 2011	39,974	–	427,064	123,758	(929)	(43,206)	18,403	–	(19)	3,684	568,729	1,179	569,908

Notes:

(1) 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.

(2) Pursuant to the disposal of 9.9% of the interest in each of the two 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.

On 30 December 2011, VC Asset Management Limited had issued 3,000,000 new shares of HK$1 each, which had been fully subscribed and paid by VC Financial Group Limited, the Company's direct wholly-owned subsidiary. As such, the Group's interest in VC Asset Management Limited had increased from 90.1% to 91.16%. The negative difference of approximately HK$221,000 arising on the change in such interest in VC Asset Management Limited had been recognised in Other Reserve.

(3) 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, which can be exercised at any time during a period of 12 months commencing from the date of issue of the warrants. The placing and issue of 79,900,000 warrants had been completed on 14 July 2011. Amount received on the issue of warrants and issue expenses of approximately HK$3,995,000 and HK$311,000 respectively had been recognised in Warrant Reserve.

	2011 *HK$'000*	2010 *HK$'000*
Cash flows from operating activities		
Loss before taxation	**(26,694)**	(85,270)
Adjustments for		
Depreciation of property, plant and equipment	**1,960**	2,063
Amortisation of trading rights	**–**	252
Recognition of equity-settled share-based payment	**3,813**	4,443
Allowance for doubtful receivables, net	**5,189**	–
Interest income	**(597)**	(437)
Finance costs recognised in profit or loss	**856**	1,107
Loss on disposal of property, plant and equipment	**33**	3
Share of loss of jointly controlled entities	**–**	37,832
Fair value changes on financial liabilities designated at fair value through profit or loss	**–**	22,950
Fair value changes on derivatives financial liabilities	**–**	11,033
Impairment of goodwill	**–**	8,151
Impairment loss on available-for-sale investment	**241**	–
	(15,199)	2,127
Movements in working capital		
Decrease (increase) in accounts receivable	**278,937**	(101,083)
Increase in prepayments, deposits and other receivables	**(605)**	(91)
Increase in rental and utility deposits	**(269)**	(67)
Decrease in amounts due from jointly controlled entities	**–**	13,603
(Decrease) increase in accounts payable	**(45,981)**	10,728
(Decrease) increase in accrued liabilities and other payables	**(6,902)**	460
(Decrease) increase in amounts due to jointly controlled entities	**(1,378)**	1,378
Cash generated from (used in) operations	**208,603**	(72,945)
Interest paid	**(858)**	(1,132)
Interest received	**403**	633
Income taxes paid	**(3,044)**	(5,163)
Net cash generated from (used in) operating activities	**205,104**	(78,607)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,049)**	(1,757)
Purchase of other intangible assets	**(1,000)**	–
Purchase of available-for-sale investment	**(500)**	–
Repayment of loan to a jointly controlled entity	**219**	41,332
Proceeds from disposal of property, plant and equipment	**2**	–
Decrease (increase) in statutory deposits	**71**	(62)
Net cash (used in) generated from investing activities	**(3,257)**	39,513

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Cash flows from financing activities		
New short-term bank borrowings	**–**	40,000
Capital contribution from non-controlling interests	**–**	495
Proceeds from issue of warrants	**3,995**	–
Proceeds from disposal of partial interests in subsidiaries that does not result in losing control of the subsidiaries	**–**	2,200
Proceeds from exercise of share options	**–**	7,985
Proceeds from issue of optional bonds	**–**	10,000
Warrants issue expenses	**(311)**	–
Share issue expenses	**–**	(25)
Net cash generated from financing activities	**3,684**	60,655
Net increase in cash and cash equivalents	**205,531**	21,561
Cash and cash equivalents at the beginning of year	**115,478**	93,912
Effect of exchange rate changes on the balance of cash held in foreign currencies	**9**	5
Cash and cash equivalents at the end of year, represented by bank balances and cash	**321,018**	115,478

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company and its subsidiaries (the "Group") are principally engaged in the provision of financial services.

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

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

In the current year, the Group has applied a number of new and revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2011 financial year.

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[6]
HKFRS 9 (Amendments)	Financial instruments[6]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
Amendments to HKAS 1	Presentation of items of other comprehensive income[3]
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (as revised 2011)	Employee benefits[4]
HKAS 27 (as revised 2011)	Separate financial statements[4]
HKAS 28 (as revised 2011)	Investments in associates and joint ventures[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[5]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[4]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognitions.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the changes in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 Financial instruments – continued

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the Directors of the Company anticipate that the adoption of HKFRS 9 is not expected to have a significant impact on the consolidated financial statements of the Group.

The Directors of the Company anticipate that the adoption of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair values or, when applicable, on the basis specified in another standard.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising from the acquisition of subsidiaries for which the acquisition date is before 1 January 2004, represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries, at the date of acquisition. On 1 January 2004, the Group early adopted HKFRS 3 (August 2004), and the carrying amount net of accumulated amortisation is deemed as cost carried forward. Subsequently, such goodwill is carried at cost less any accumulated impairment losses. It is tested for impairment annually, and whenever there is indication that the cash-generating unit to which the goodwill relates may be impaired. There is no goodwill recognised after the adoption of HKFRS 3 (August 2004).

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using equity method. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of jointly controlled entities. When the Group's share of loss of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of loss is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with its jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in subsidiaries and jointly controlled entities

In the Company's statement of financial position, the investments in subsidiaries (including deemed capital contribution) and jointly controlled entities are stated at cost less accumulated impairment losses. The results of subsidiaries and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the course of business, net of discounts.

Revenue arising from financial services is recognised on the following bases:

- Commission income from brokering business is recorded as income on a trade date basis.

- Underwriting commission, sub-underwriting commission, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

- Arrangement, management, advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Trading rights/other intangible assets

Trading rights represent rights to trade on the Stock Exchange and Hong Kong Futures Exchange Limited ("HKFE"). They are stated at cost less accumulated amortisation and any accumulated impairment losses, and amortised using the straight-line method over their estimated useful lives.

Other intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of the trading rights and other intangible assets are measured as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Deprecation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, deposits and other receivables, amounts due from subsidiaries, loan to a jointly controlled entity, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, such as available-for-sale investment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is those designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including accounts payable, accrued liabilities and other payables, amounts due to subsidiaries, amounts due to jointly controlled entities and short-term bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Convertible bonds

The convertible bonds issued by the Company contain liability, conversion option, early redemption option and optional bonds. Upon exercise of the conversion option within 12 months from the issue, a converting bondholder shall be granted the option by the company to subscribe for an aggregate principal amount of the optional bonds equal to the principal amount being converted. As such, the conversion option will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The whole convertible bonds are designated as financial liabilities at fair value through profit or loss.

Transaction costs that relate to the issue of the convertible bonds are charged to profit or loss immediately.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The proceed received from the issue of warrants, net of direct issue costs, is recognised in equity (warrant reserve). Warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and the Company and not designated at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense item translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors, employees and other eligible persons

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). The Group measures the recharge based on the fair value of the equity instruments of the Company at the grant date and allocates that recharge to each subsidiary based on the proportion of services received.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions – continued

Equity-settled share-based payment transactions – continued

Share options granted to directors, employees and other eligible persons – continued

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

When the share options are forfeited before the vesting date, the amount previously recognised in share option reserve will be reversed immediately in profit or loss.

Shares awarded to directors and employees

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (awarded shares compensation reserve).

When The VC Share Purchase Scheme Trust ("Trust") purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share purchase scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares. When the Trust transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share purchase scheme. Accordingly, the related expense of the granted shares vested is reversed from awarded shares compensation reserve. The difference arising from such transfer is debited/credited to retained profits.

When the share awards are forfeited before the vesting date, the amount previously recognised in awarded shares compensation reserve will be reversed immediately in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group and the Company reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or the cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2011, no deferred tax asset (2010: Nil) in relation to the estimated unused tax losses of approximately HK$181,708,000 (2010: HK$159,250,000) and estimated deductible (taxable) temporary difference of approximately HK$493,000 (2010: (HK$120,000)) was recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated statement of comprehensive income for the period in which such an event takes place. In cases where the actual future profits generated are less than expected, a reversal of deferred tax asset may arise, which would be recognised in the consolidated statement of comprehensive income for the period in which such an event takes place. For the year ended 31 December 2010, there was a reversal of deferred tax asset of HK$1,100,000 in profit or loss due to the uncertainty of future taxable income of the relevant subsidiary.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2011, the carrying amount of accounts receivable is approximately HK$258,283,000 (2010: HK$542,409,000) and an allowance of HK$5,189,000 (2010: Nil) is provided during the year.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company (comprising issued share capital and reserves).

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of short-term bank borrowings, payment of dividends and issuance of new shares.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis. The Regulated Subsidiaries have no non-compliance of the liquid capital requirements imposed by the SF(FR)R during the year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**620,333**	698,835	**522,986**	525,819
Available-for-sale investment	**259**	–	**–**	–
Financial liabilities				
Amortised cost	**65,891**	115,226	**14,981**	22,449

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, accounts receivable, deposits and other receivables, loan to a jointly controlled entity, pledged bank deposits, bank balances and cash, accounts payable, accrued liabilities and other payables, short-term bank borrowings and amounts due to jointly controlled entities. Details of these financial instruments are disclosed in respective notes. The Company's major financial instruments include deposits and other receivables, loan to a jointly controlled entity, amounts due from/to subsidiaries, bank balances and accrued liabilities and other payables. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

It is the Group's policy for each group entity to operate in local currencies as far as possible to minimise currency risks. Almost all of the Group's principal businesses are conducted in Hong Kong dollars which is also the functional currency of the Company, with small amounts of bank deposits denominated in USD and RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management for the year.

Cash flow interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to accounts receivables from cash clients, margin clients and brokers, loan to a jointly controlled entity, amounts due from subsidiaries, pledged bank deposits and short-term bank borrowings (see Notes 20, 22, 23, 25 and 27). Bank balances are excluded from the interest rate sensitivity analysis as they are not sensitive to the change in market interest rates.

The Group's and the Company's cash flow interest rate risks are mainly relating to the fluctuation of HIBOR or best lending rate arising from the Group's interest bearing financial instruments.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Cash flow interest rate risk – continued

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates for the financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant throughout the respective year. A 10 basis points (2010: 10 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

	2011		2010	
	Change in basis points		**Change in basis points**	
	+10	**–10**	+10	–10
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
THE GROUP				
Decrease (increase) in loss for the year	**192**	**(192)**	447	(447)
THE COMPANY				
Increase (decrease) in profit for the year	**3**	**(3)**	–	–
Decrease (increase) in loss for the year	**–**	**–**	42	(42)

Fair value interest rate risk and other price risk

As at 31 December 2011 and 31 December 2010, the Group and the Company are not exposed to fair value interest rate risk and other price risk.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls in relation to the business of VC Brokerage Limited, the wholly owned subsidiary of the Company. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk – continued

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and the financial guarantee provided by the Company is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position and the amount of contingent liabilities in relation to financial guarantee provided by the Company as disclosed in Note 31 respectively. The Company has concentration of credit risk on the amounts due from subsidiaries. The credit risk on these balances is considered minimal as the major balances are with subsidiaries with strong liquidity position. The credit risk relating to the financial guarantee provided is considered minimal as the relevant subsidiary continues to operate with good financial results and liquidity position. The Company has no other significant concentration of credit risk.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong as at 31 December 2011 and 31 December 2010. The Group has no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties and clients.

Bank balances are placed in various authorised institutions and the Directors of the Company consider the credit risk for such is minimal.

Liquidity risk

Internally generated cash flow and short-term bank borrowings are the sources of funds to finance the operations of the Group. The Group's banking facilities are subject to floating rate and are renewable annually. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group and the Company regularly review the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

At 31 December 2011, the Group has available unutilised banking facilities of HK$90,000,000 (2010: HK$90,000,000) and there is no available banking facility for the Company.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities with the earliest date on which the Group and the Company are required to settle. The tables include both principal and interest cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

THE GROUP

	Weighted average effective interest rate	**On demand or less than 1 month**	**1-3 months**	**3 months to 1 year**	**Total undiscounted cash flow**	**Total carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2011						
Non-derivative financial liabilities						
Accounts payable	**–**	**19,365**	**–**	**–**	**19,365**	**19,365**
Accrued liabilities and other payables	**–**	**5,483**	**950**	**93**	**6,526**	**6,526**
Short-term bank borrowings	**2.5**	**40,011**	**–**	**–**	**40,011**	**40,000**
		64,859	**950**	**93**	**65,902**	**65,891**

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010						
Non-derivative financial liabilities						
Accounts payable	–	65,346	–	–	65,346	65,346
Accrued liabilities and other payables	–	7,413	1,000	89	8,502	8,502
Short-term bank borrowings	2.39	40,008	–	–	40,008	40,000
Amounts due to jointly controlled entities	–	1,378	–	–	1,378	1,378
		114,145	1,000	89	115,234	115,226

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table – continued

THE COMPANY

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2011						
Non-derivative financial liabilities						
Accrued liabilities and other payables	–	**997**	**147**	**17**	**1,161**	**1,161**
Amounts due to subsidiaries	–	**13,820**	–	–	**13,820**	**13,820**
Financial guarantee contract *(Note)*	–	**130,000**	–	–	**130,000**	–
		144,817	**147**	**17**	**144,981**	**14,981**

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2010						
Non-derivative financial liabilities						
Accrued liabilities and other payables	–	286	173	16	475	475
Amounts due to subsidiaries	–	21,974	–	–	21,974	21,974
Financial guarantee contract *(Note)*	–	130,000	–	–	130,000	–
		152,260	173	16	152,449	22,449

Note: The amount included above for financial guarantee contract is the maximum amount the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Company considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

6. FINANCIAL INSTRUMENTS – continued

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial liabilities designated at FVTPL is determined in accordance with general accepted pricing model based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. 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.

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**44,040**	65,883
Underwriting, sub-underwriting, placing and sub-placing commission	**5,857**	9,848
Arrangement, management, advisory and other fee income	**11,250**	4,868
Interest income from clients	**31,718**	35,030
	92,865	115,629
Other income		
Interest income	**597**	437
Sundry income	**45**	161
	642	598
Total income	**93,507**	116,227

7. REVENUE AND SEGMENT INFORMATION – continued

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 the provision of corporate financial advisory services; and

(iii) the asset management segment engages in the provision of asset management services.

The following tables represent revenue and results information of these operating segments for the years ended 31 December 2011 and 2010.

Year ended 31 December 2011

	Brokerage	Corporate finance	Asset management	Segment total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	81,715	11,150	–	92,865	–	92,865
Inter-segment sales	–	20	–	20	(20)	–
	81,715	11,170	–	92,885	(20)	92,865
Segment profit (loss)	903	(6,903)	(1,611)	(7,611)	–	(7,611)
Elimination of intra-group costs						14,068
Central administrative costs						(32,910)
Impairment loss on available-for-sale investment						(241)
Loss before taxation for the year						(26,694)

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2011 – continued

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Note)	
Amounts included in the measure of segment profit or loss:						
Interest income	(589)	(2)	(1)	(592)	(5)	(597)
Staff costs	43,221	10,778	1,101	55,100	25,366	80,466
Commission expenses	3,668	–	–	3,668	–	3,668
Depreciation of property, plant and equipment	1,310	161	5	1,476	484	1,960
Allowance for doubtful receivables, net	4,800	389	–	5,189	–	5,189
Finance costs	2,303	89	–	2,392	(1,536)	856
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	402	148	–	550	–	550

Year ended 31 December 2010

	Brokerage	Corporate finance	Asset management	Segment total	Eliminations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	110,811	4,818	–	115,629	–	115,629
Inter-segment sales	–	80	–	80	(80)	–
	110,811	4,898	–	115,709	(80)	115,629
Segment profit (loss)	16,765	(8,193)	(1,301)	7,271	–	7,271
Elimination of intra-group costs						13,521
Central administrative costs						(26,096)
Share of loss of jointly controlled entities						(37,832)
Fair value changes on financial liabilities designated at FVTPL						(22,950)
Fair value changes on derivative financial liabilities						(11,033)
Impairment of goodwill						(8,151)
Loss before taxation for the year						(85,270)

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2010 – continued

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Note)	
Amounts included in the measure of segment profit or loss:						
Interest income	(433)	(2)	(1)	(436)	(1)	(437)
Staff costs	55,042	7,571	671	63,284	19,872	83,156
Commission expenses	6,257	–	–	6,257	–	6,257
Depreciation of property, plant and equipment	1,567	43	14	1,624	439	2,063
Amortisation of trading rights	252	–	–	252	–	252
Finance costs	2,607	–	–	2,607	(1,500)	1,107
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Share of loss of jointly controlled entities	–	–	37,832	37,832	–	37,832
Income tax expense	2,566	1,100	–	3,666	–	3,666

Note: Adjustments represent the central administrative costs and those which are attributable to the three operating segments are allocated in form of management fee. Intra-group finance costs and management fee are included in the three operating segments and eliminated at consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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 FVTPL, fair value changes on derivative financial liabilities, impairment of goodwill and impairment loss on available-for-sale investment. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

In 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 "PRC"). The Group's revenue from external customers are mainly derived from Hong Kong for both 2011 and 2010. Almost all of its non-current assets, excluding 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 Group's Executive Committee.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2011	2010
	HK$'000	*HK$'000*
Staff commission	**24,263**	36,495
Salaries and wages	**39,398**	34,502
Staff welfare	**1,799**	1,435
Recruitment costs	**419**	213
Provision of long service payment/annual leave benefits	**82**	76
Retirement benefits scheme contributions	**1,173**	1,133
Recognition of equity-settled share-based payment	**3,813**	4,443
Discretionary and performance related incentive payments	**9,519**	4,859
	80,466	83,156

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of which are held in separate trustee-administered funds. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme have switched to the MPF Scheme and all new eligible employees joining the Group on or after December 2000 are all under the MPF Scheme. No more contribution was made to the ORSO Scheme after the switch.

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The contribution amount is capped at HK$1,000 per employee per month in both 2011 and 2010.

The Group's contributions to both retirement schemes are expensed as incurred. The Group's mandatory contributions to the MPF Scheme are vested immediately. The Group's contributions to the ORSO scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to the Directors of the Company are as follows:

	Dr. Lee Jun Sing *HK$'000*	Ha Shu Tong *HK$'000*	Chau King Fai, Philip *HK$'000*	Cheng Tze Kit, Larry *HK$'000*	So Wai Yee, Betty *HK$'000*	Lam Yuk Ying, Elsa *HK$'000*	Zhou Wentao *HK$'000*	Tin Ka Pak, Timmy *HK$'000*	Lam Cho Ying, Terence Joe *HK$'000*	Wang Ying *HK$'000*	Lam Kwok Hing, Wilfred *HK$'000*	Lam Ka Wai, Graham *HK$'000*	Tse On Kin *HK$'000*	Total *HK$'000*
									(Note 2)				*(Note 3)*	
2011														
Fees	80	–	–	–	–	–	–	–	–	80	178	178	178	694
Other emoluments														
Salaries and other benefits	–	501	2,122	2,094	1,395	817	817	472	2,378	–	–	–	–	10,596
Retirement benefits scheme contribution	–	4	12	12	12	10	–	6	10	–	–	–	–	66
Recognition of equity-settled share-based payment	105	–	211	211	211	211	211	211	105	105	105	105	105	1,896
Discretionary and performance related incentive payments *(Note 1)*	7	46	169	169	116	80	68	40	5,000	7	15	15	15	5,747
Total emoluments	192	551	2,514	2,486	1,734	1,118	1,096	729	7,493	192	298	298	298	18,999

	Dr. Lee Jun Sing *HK$'000*	Chau King Fai, Philip *HK$'000*	Cheng Tze Kit, Larry *HK$'000*	So Wai Yee, Betty *HK$'000*	Lam Cho Ying, Terence Joe *HK$'000*	Wang Ying *HK$'000*	Lam Kwok Hing, Wilfred *HK$'000*	Lam Ka Wai, Graham *HK$'000*	Tse On Kin *HK$'000*	Total *HK$'000*
2010										
Fees	75	–	–	–	–	75	170	170	170	660
Other emoluments										
Salaries and other benefits	–	1,976	1,937	1,266	2,640	–	–	–	–	7,819
Retirement benefits scheme contribution	–	12	12	12	12	–	–	–	–	48
Recognition of equity-settled share-based payment	–	220	1,296	1,296	447	–	–	–	–	3,259
Discretionary and performance related incentive payments *(Note 1)*	–	320	320	220	330	–	–	–	–	1,190
Total emoluments	75	2,528	3,565	2,794	3,429	75	170	170	170	12,976

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(a) Directors' emoluments – continued

Notes:

(1) The discretionary and performance related incentive payments are determined by reference to the individual performance of the Directors of the Company and approved by the Remuneration Committee of the Company.

(2) Mr. Lam Cho Ying, Terence Joe resigned as the non-executive director of the Company on 1 November 2011.

(3) Mr. Tse On Kin resigned as the independent non-executive director of the Company on 11 January 2012.

For the year ended 31 December 2011, a total number of 9,000,000 (2010: 3,400,000) share options were granted to the Directors of the Company to subscribe ordinary shares of the Company in respect of their services provided to the Group. Further details of which are set out in Note 29.

For the year ended 31 December 2011, no ordinary shares (2010: 329,869 ordinary shares) were awarded to the Directors of the Company under the Share Purchase Scheme in respect of their services provided to the Group. Further details of which are set out in Note 29.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2010: four) were Directors of the Company whose emoluments are included in Note 9(a) above. The emoluments of the remaining two individuals (2010: one) were as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**3,823**	1,920
Retirement benefits scheme contributions	**24**	12
Recognition of equity-settled share-based payment	**422**	78
Discretionary and performance related incentive payments	**320**	320
	4,589	2,330

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(b) Five highest paid individuals – continued

The emoluments of the above individuals fell within the following band:

	Number of individuals	
	2011	2010
Emolument band		
HK$2,000,001 – HK$2,500,000	**2**	1

During the years ended 31 December 2011 and 2010, no Directors of the Company waived or agreed to waive any emoluments. No emolument has been paid to the Directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**856**	1,107

11. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Included in other operating expenses:		
Auditors' remuneration	**954**	1,007
Operating leases in respect of land and buildings	**9,239**	8,121
Allowance for doubtful receivable, net	**5,189**	–
Loss on disposal of property, plant & equipment	**33**	3
Included in other income:		
Net exchange gain	**(34)**	(135)

12. INCOME TAX EXPENSE

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

	2011	2010
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**402**	2,567
PRC Enterprise Income Tax	**148**	–
Overprovision in prior year		
Hong Kong Profits Tax	**–**	(1)
	550	2,566
Deferred tax *(Note 18)*		
Current year	**–**	1,100
	550	3,666

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. PRC subsidiary is subject to PRC Enterprise Income Tax at 25% for 2011.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation	**(26,694)**	(85,270)
Calculated at Hong Kong Profits Tax rate of 16.5%	**(4,404)**	(14,069)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**98**	–
Tax effect of share of loss of jointly controlled entities	**–**	6,242
Tax effect of income not taxable for tax purpose	**(164)**	(91)
Tax effect of expenses not deductible for tax purpose	**713**	6,944
Overprovision in respect of prior year	**–**	(1)
Tax effect of deductible temporary difference previously not recognised	**95**	11
Utilisation of previously unrecognised tax losses	**(159)**	–
Tax effect of tax losses not recognised	**3,705**	3,468
Reversal of previously recognised deferred tax assets	**–**	1,100
Others	**666**	62
Tax charge for the year	**550**	3,666

13. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31 December 2011 (2010: Nil).

14. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to the owners of the Company)	**(26,660)**	(87,985)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**399,737**	391,617

The diluted loss per share for 2011 and 2010 is computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

15. GOODWILL

	HK$'000
Cost	
At 1 January 2010, 1 January 2011 and 31 December 2011	8,151
Accumulated impairment	
At 1 January 2010	–
Impairment loss recognised for the year	8,151
At 31 December 2010 and 31 December 2011	8,151
Carrying value	
At 31 December 2010 and 31 December 2011	–

15. GOODWILL – continued

Such goodwill amount is solely relating to a cash-generating unit ("CGU"), VC Capital Limited, a subsidiary of the Company, which is included as corporate finance operating segment. For the year ended 31 December 2010, an impairment loss of goodwill amounting to HK$8,151,000, representing the entire amount, had been recognised to the consolidated statement of comprehensive income after the impairment test was performed. For the purpose of the impairment test, the recoverable amount of the CGU had been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budget approved by management as at 31 December 2010, covering a 5-year period and using a discount rate of 12.5%. Another key assumption in the financial budget was the budgeted revenue, which was determined based on the CGU's past performance and management's expectations for the market development.

16. TRADING RIGHTS

	HK$'000
Cost	
At 1 January 2010, 1 January 2011 and 31 December 2011	5,066
Amortisation	
At 1 January 2010	4,814
Provided for the year	252
At 31 December 2010 and 31 December 2011	5,066
Carry value	
At 31 December 2010 and 31 December 2011	–

Trading rights are amortised over 10 years from 6 March 2000, the effective date of the merger of the Stock Exchange, HKFE and Hong Kong Securities Clearing Company Limited. The trading rights have been fully amortised during the year ended 31 December 2010.

17. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP			
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2010	5,456	9,953	7,953	23,362
Additions	185	138	1,434	1,757
Written off/disposal	(797)	(845)	(43)	(1,685)
Exchange difference	6	3	6	15
At 31 December 2010	4,850	9,249	9,350	23,449
Additions	993	194	862	2,049
Written off/disposal	(449)	(3,139)	(1,905)	(5,493)
Exchange difference	20	12	19	51
At 31 December 2011	5,414	6,316	8,326	20,056
Depreciation				
At 1 January 2010	5,306	8,427	5,816	19,549
Charge for the year	248	499	1,316	2,063
Written off/disposal	(797)	(842)	(43)	(1,682)
Exchange difference	6	3	6	15
At 31 December 2010	4,763	8,087	7,095	19,945
Charge for the year	223	462	1,275	1,960
Written off/disposal	(449)	(3,107)	(1,902)	(5,458)
Exchange difference	18	11	17	46
At 31 December 2011	4,555	5,453	6,485	16,493
Carrying values				
At 31 December 2011	859	863	1,841	3,563
At 31 December 2010	87	1,162	2,255	3,504

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease term not exceeding three years
Furniture, fixtures and equipment	20%
Computer equipment and software	$33^1/_3$%

18. DEFERRED TAX ASSETS

	Estimated tax losses HK$'000
At 1 January 2010	1,100
Charge to profit or loss	(1,100)
At 31 December 2010 and 31 December 2011	–

At 31 December 2011, the Group has deductible (taxable) temporary differences of approximately HK$493,000 (2010: (HK$120,000)). No deferred tax asset has been recognised as at 31 December 2011 (2010: Nil) in relation to such deductible temporary differences as it is not probable that taxable profit 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$181,708,000 and HK$41,573,000 (2010: HK$159,250,000 and HK$41,030,000) respectively to carry forward against future taxable income as at 31 December 2011. No deferred tax asset has been recognised as at 31 December 2011 (2010: Nil) in respect of these 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 tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

19. OTHER INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 January 2010 and 1 January 2011	1,839
Addition	1,000
At 31 December 2011	2,839
Accumulated impairment	
At 1 January 2010, 1 January 2011 and 31 December 2011	1,292
Carrying value	
At 31 December 2011	1,547
At 31 December 2010	547

Other intangible assets represent club memberships with indefinite useful lives and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts based on fair value less costs to sell. The fair value is determined using an observable market price or recent market transaction price and no indication of impairment was noted during the year.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (THE "JCE")

THE GROUP/THE COMPANY

As at 31 December 2011 and 2010, the Group has interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place/ country of incorporation/ registration	Principal activity and place of operations	Class share held	Proportion of nominal value of issued capital/ registered capital held by the Group		Proportion of voting power held	
					2011	2010	**2011**	2010
MVC Macau Property Development Fund Limited	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
VC Property Asset Management Limited	Incorporated	British Virgin Islands	Provision of property investment management in Macau	Ordinary	**50%**	50%	**50%**	50%

The Group has loan advanced to a jointly controlled entity which forms part of the net investment in the JCE. The net investment in the JCE is as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of investments in jointly controlled entities	**1**	1	**–**	–
Share of post-acquisition losses and other comprehensive income	**(1)**	(1)	**–**	–
	–	–	**–**	–
Loan to a jointly controlled entity	**–**	219	**–**	219

The loan is unsecured and bears interest at 3-month HIBOR plus 2.6% per annum commencing from the establishment of the relevant funds by the JCE. The outstanding loan to the JCE amounted to approximately HK$219,000 has been fully repaid during the year ended 31 December 2011.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (THE "JCE") – continued

THE GROUP/THE COMPANY – continued

Since the sale of investment property in Macau, the business plan of the JCE has been abandoned. On 5 August 2010, Guia Hill (BVI) Holdings No. 1 Limited and Guia Hill (BVI) Holdings No. 2 Limited, being direct wholly owned subsidiaries of MVC Macau Property Development Fund Limited, entered into a sale and purchase agreement as supplemented by the supplemental agreement with two independent third parties to dispose of the entire issued share capital of Guia Hill (Macau) Investments Limited, which held the investment property in Macau directly. The transaction has been completed during the year ended 31 December 2010. The net proceed from the disposal is approximately HK$241.9 million. After the repayment of bank loan of the JCE, the Company has received a net receipt of approximately HK$41.3 million for settlement of the shareholder's loan and recognised a further share of loss of approximately HK$37.8 million for the year ended 31 December 2010.

Guia Hill (BVI) Holdings No. 1 Limited and Guia Hill (BVI) Holdings No. 2 Limited have been dissolved during the year ended 31 December 2011. MVC Macau Property Development Fund Limited has been dormant since 2011 and dissolved in February 2012. VC Property Asset Management Limited has been dormant since 2011 and is under the process of dissolution.

The summarised financial information in respect of the Group's interests in the JCE which are accounted for using the equity method is set out below:

	2011	2010
	HK$'000	*HK$'000*
Current assets	**–**	689
Non-current assets	**–**	–
Current liabilities	**–**	470
Non-current liabilities	**–**	–
Income	**2**	145
Expenses	**2**	37,977

21. AVAILABLE-FOR-SALE INVESTMENT

	HK$'000
Cost	
At 1 January 2010 and 1 January 2011	–
Addition	500
At 31 December 2011	500
Accumulated impairment	
At 1 January 2010 and 1 January 2011	–
Impairment loss recognised for the year	241
At 31 December 2011	241
Carrying value	
At 31 December 2011	259
At 31 December 2010	–
Analysed for reporting purpose as non-current assets	
At 31 December 2011	259
At 31 December 2010	–

The above unlisted investment represents investment in unlisted equity securities issued by a private entity incorporated in Hong Kong and its principal activity is investment holding in the PRC. They are measured at cost less impairment at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. ACCOUNTS RECEIVABLE

	2011	2010
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**17,960**	6,627
Cash clients	**9,823**	62,807
Margin clients	**230,036**	471,246
– 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 *(Note b)*	**464**	1,728
	258,283	542,409

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:

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**246,545**	532,367
Past due but not impaired *(Note c)*	**2,263**	4,536
Impaired *(Note d)*	**14,939**	6,781
	263,747	543,684
Less: Allowance for impairment *(Note d)*	**(5,464)**	(1,275)
	258,283	542,409

The accounts receivable with a carrying amount of approximately HK$246,545,000 are neither past due nor impaired as at 31 December 2011 (2010: HK$532,367,000). The management is satisfied with the credit quality of the clients, and the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

22. ACCOUNTS RECEIVABLE – continued

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 which included a fair value of approximately HK$299,456,000 in relation to the receivables being not impaired and a fair value of approximately HK$74,000 in relation to the receivables being impaired as at 31 December 2011 (2010: HK$435,391,000 and HK$371,000 respectively). 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.

In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category as these accounts have no specific maturity date. As at 31 December 2011, accounts receivable due from margin clients of approximately HK$14,403,000 (2010: HK$6,368,000) which are impaired, are included in "Impaired" category. These accounts receivable are secured by clients' pledged listed securities which included a fair value of approximately HK$593,685,000 in relation to the receivables being not impaired and a fair value of approximately HK$9,361,000 in relation to the receivables being impaired as at 31 December 2011 (2010: HK$1,317,914,000 and HK$5,902,000 respectively). 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. Margin clients receivable are repayable on demand and bear interest at commercial rates.

As at 31 December 2011, accounts receivable of approximately HK$96,000 (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:

	2011 ***HK$'000***	2010 *HK$'000*
Within 30 days	**25,722**	66,050
31 – 90 days	**563**	3,268
Over 90 days	**1,498**	117
	27,783	69,435

22. 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 invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**261**	1,228
31 – 90 days	**103**	500
Over 90 days	**100**	–
	464	1,728

(c) Included in "Past due but not impaired" category 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. The aging analysis based on the trade/invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
31 – 90 days	**666**	3,728
Over 90 days	**1,597**	808
	2,263	4,536

Cash clients receivable which are past due but not impaired amounted to approximately HK$2,060,000 as at 31 December 2011 (2010: HK$4,036,000). No impairment loss has been provided as the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

The remaining balance of accounts receivable which are past due but not impaired amounting to approximately HK$203,000 as at 31 December 2011 (2010: HK$500,000) are those amounts arising from provision of corporate financial advisory services. The Group has not provided for any impairment loss as the clients are with good credit quality or there is on-going project with the Group. The extent of delay of these repayments is considered normal in the corporate financial advisory industry.

22. 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 accounts, and also on the management's judgement from different aspects including the creditworthiness, collateral and the past collection history of each client.

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

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,275**	8,211
Impairment loss recognised	**5,189**	–
Amounts written off as uncollectible	**(1,000)**	(6,936)
Balance at end of the year	**5,464**	1,275

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.

23. OTHER FINANCIAL ASSETS AND LIABILITIES

Deposits and other receivables (The Group and the Company)

The amounts are resulted from the normal course of operations. They are non-interest bearing and in the opinion of the Directors of the Company, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Amounts due to jointly controlled entities (The Group)

The amounts are resulted from the normal course of operations. They are non-interest bearing, unsecured, repayable on demand and in the opinion of the Directors of the Company, the amounts are expected to be settled within the next 12 months from the end of the reporting period. The amounts have been settled during the year ended 31 December 2011.

Pledged bank deposits (The Group)

As at 31 December 2011, the Group has placed a bank deposit of HK$40,000,000 (2010: HK$40,000,000) at variable market interest rate of 0.85% (2010: 0.6%) per annum to a bank to secure banking facilities of HK$80,000,000 (2010: HK$80,000,000) in short-term money market loan and current account overdraft. An amount of HK$40,000,000 was utilised from these facilities at the end of the reporting period (2010: HK$40,000,000).

23. OTHER FINANCIAL ASSETS AND LIABILITIES – continued

Bank balances and cash (the Group and the Company)

The amounts comprise cash and short-term bank deposits held by the Group at market interest rates ranging from 0.001% to 2.25% (2010: 0.001% to 0.43%) per annum with an original maturity of three months or less.

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, VC Future Limited and VC Capital Limited act as trustees that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated statement of financial position. As at 31 December 2011, the Group maintained segregated accounts with HKCC of approximately HK$3,260,000 (2010: HK$3,244,000) and the authorised institutions of approximately HK$245,154,000 (2010: HK$289,667,000) in conjunction with its securities, futures and options brokering and dealing business, and corporate financial advisory business as a result of the normal business transactions, which are not otherwise dealt with in the consolidated financial statements.

24. ACCOUNTS PAYABLE

	2011 ***HK$'000***	2010 *HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions: *(Notes a and b)*		
– Clearing house and brokers	**–**	7,643
– Cash clients	**17,302**	32,991
– Margin clients	**2,046**	24,712
Accounts payable arising from the ordinary course of business of provision of corporate financial advisory services	**17**	–
	19,365	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. In the opinion of the Directors of the Company, no aging analysis is disclosed as it is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.

(b) As at 31 December 2011, accounts payable of approximately HK$204,000 (2010: HK$901,000) was due to 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.

25. SHORT-TERM BANK BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits (see Note 23) and bore an interest rate at HIBOR plus 2% per annum as at 31 December 2011 and 31 December 2010. The weighted average effective interest rate for the year ended 31 December 2011 is 2.5% (2010: 2.39%) per annum.

26. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount** *HK$'000*
At 31 December 2010 and 31 December 2011	**10,000,000,000**	**1,000,000**

	Issued and fully paid	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount** *HK$'000*
At 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	5,146,000	515
At 31 December 2010 and 31 December 2011	**399,736,829**	**39,974**

27. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**10**	10
Capital contribution *(Note)*	**25,094**	12,547
	25,104	12,557

Note: The capital contribution represents the imputed interest from interest free loan to the subsidiary which is not expected to recover within 12 months from the end of the reporting period.

Amounts due from subsidiaries (non-current):

As at 31 December 2011, the amounts include loan to a subsidiary by the Company of HK$3,000,000 (2010: HK$50,000,000) which is unsecured, interest-bearing at Hong Kong dollars prime rate minus 2% per annum and the Company does not expect to recover the amount within 12 months from the end of the reporting period. The remaining balance includes the amount due from a subsidiary of HK$421,228,000 (2010: HK$418,228,000) which is unsecured and classified as non-current as the Company does not expect to recover this amount within 12 months from the end of the reporting period.

Amounts due from subsidiaries (current):

As at 31 December 2011, amounts due from subsidiaries are unsecured, interest free and repayable on demand. The credit risk of subsidiaries is considered as minimal. In the opinion of the Directors of the Company, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Amounts due to subsidiaries (current):

As at 31 December 2011, amounts due to subsidiaries are unsecured, interest free and repayable on demand.

27. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES – continued

The following is a list of the principal subsidiaries of the Group as at 31 December 2011 and 2010:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held	
				2011	2010
VC Financial Group Limited [1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	**100%**	100%
VC Brokerage Limited [2]	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	330,000,000 ordinary shares of HK$1 each	**100%**	100%
VC Futures Limited [2]	Hong Kong	Provision of futures and options contracts dealing services in Hong Kong	30,000,000 ordinary shares of HK$1 each	**100%**	100%
VC Capital Limited [2]	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	25,000,000 ordinary shares of HK$1 each	**90.1%**	90.1%
VC Asset Management Limited [2]	Hong Kong	Provision of asset management services to clients in Hong Kong	28,000,000 ordinary shares of HK$1 each	**91.16%**	90.1%
VC Finance Limited [2]	Hong Kong	Money lending in Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%
VC Capital (Shenzhen) Limited [2, 3]	PRC	Provision of consultancy services in the PRC	Registered capital of HK$1,000,000	**100%**	100%
VC Services Limited [1]	Hong Kong	Provision of management services to group companies in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
VC Research Limited [2]	Hong Kong	Provision of research services in Hong Kong	500,000 ordinary shares of HK$1 each	**100%**	100%

1 Shares held directly by the Company.

2 Shares held indirectly by the Company.

3 VC Capital (Shenzhen) Limited is a wholly foreign owned enterprise.

The above table lists out the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

28. RESERVES

THE COMPANY

	Shares held for share purchase scheme HK$'000 (Note 1)	Share premium HK$'000	Capital reserve HK$'000 (Note 2)	Accumulated losses HK$'000	Share option reserve HK$'000	Awarded shares compensation reserve HK$'000	Warrant reserve HK$'000 (Note 3)	Total HK$'000
At 1 January 2010	(2,029)	361,111	123,758	(16,208)	15,053	919	–	482,604
Loss for the year representing total comprehensive income for the year	–	–	–	(71,656)	–	–	–	(71,656)
Exercise of share options	–	7,470	–	–	–	–	–	7,470
Transfer to share option reserve upon exercise of share options	–	2,953	–	–	(2,953)	–	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	54	(54)	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	2,591	1,852	–	4,443
Share issue expenses	–	(25)	–	–	–	–	–	(25)
Transfer of shares held for share purchase scheme upon vesting of shares	2,029	–	–	742	–	(2,771)	–	–
Shares issue upon conversion of convertible bonds	–	53,132	–	–	–	–	–	53,132
At 31 December 2010	–	424,641	123,758	(87,068)	14,637	–	–	475,968
Profit for the year representing total comprehensive income for the year	–	–	–	9,830	–	–	–	9,830
Reversal of share option reserve upon forfeiture of share options	–	–	–	47	(47)	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	3,813	–	–	3,813
Issue of warrants	–	–	–	–	–	–	3,995	3,995
Warrant issue expenses	–	–	–	–	–	–	(311)	(311)
At 31 December 2011	–	424,641	123,758	(77,191)	18,403	–	3,684	493,295

Notes:

(1) During the year ended 31 December 2010, The VC Share Purchase Scheme Trust transferred 947,869 shares and 836,000 shares to the awardees upon vesting on 25 January 2010 and 1 April 2010 respectively. The total cost of the related vested shares was approximately HK$2,029,000.

(2) Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, 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.

28. RESERVES – continued

Notes: – continued

(3) 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, which can be exercised at any time during a period of 12 months commencing from the date of issue of the warrants. The placing and issue of 79,900,000 warrants had been completed on 14 July 2011. Amount received on the issue of warrants and issue expenses of approximately HK$3,995,000 and HK$311,000 respectively had been recognised in Warrant Reserve.

29. SHARE OPTIONS AND SHARE AWARDS

Share option schemes

The Company offered the share option schemes under which share options are granted to the directors, employees and other eligible persons of the Group to subscribe for shares of the Company in recognising their contributions and in retaining employees who will continue to make valuable contribution to the Group.

At an 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 GEM 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 issues.

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") (the GEM Share Option Scheme and the 2009 Share Option Scheme collectively are referred to as the "Schemes").

As at 31 December 2011, share options to subscribe for an aggregate of 35,752,139 underlying shares were outstanding, which in total represents approximately 8.94% (2010: 4.43%) of the shares of the Company in issue. The closing price of the Company's shares immediately before 9 July 2002, 25 March 2004, 26 November 2009, 18 January 2010 and 10 October 2011 were HK$0.65, HK$0.64, HK$2.14, HK$1.73 and HK$0.76 per share respectively. The share options granted under the GEM Share Option Scheme have a duration of 10 years from the date of grant, i.e. between 9 July 2002 to 8 July 2012 and between 25 March 2004 to 24 March 2014. The share options granted under the 2009 Share Option Scheme have a duration of 3 years from the date of grant, i.e. between 26 November 2009 to 25 November 2012, between 18 January 2010 to 17 January 2013 and between 10 October 2011 to 9 October 2014. The vesting period of the share options granted on 9 July 2002 and 25 March 2004 are from six months to one year. The share options granted on 26 November 2009, 18 January 2010 and 10 October 2011 are vested immediately. Any share options granted shall normally lapse upon the expiration of 3 months after the relevant grantee ceases to be employee of the Group. Furthermore, the Board has its discretion to amend the terms of the Schemes.

29. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

Movements in the number of share options outstanding under the Schemes during the year are as follows:

Year ended 31 December 2011

			Number of share options					
Categories of grantees	Grant date	Exercise price per share	Balance as at 1 January 2011	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance as at 31 December 2011
Directors of the Company	9 July 2002	HK$1.00	**491,057**	**–**	**–**	**–**	**–**	**491,057**
Employees	9 July 2002	HK$1.00	**4,942**	**–**	**–**	**–**	**–**	**4,942**
Other eligible persons	9 July 2002	HK$1.00	**344,140**	**–**	**–**	**–**	**–**	**344,140**
			840,139	**–**	**–**	**–**	**–**	**840,139**
Other eligible persons	25 March 2004	HK$0.64	**100,000**	**–**	**–**	**–**	**–**	**100,000**
Directors of the Company	26 November 2009	HK$2.07	**6,600,000**	**(3,500,000)**	**–**	**–**	**–**	**3,100,000**
Employees	26 November 2009	HK$2.07	**5,564,000**	**–**	**–**	**–**	**(52,000)**	**5,512,000**
Other eligible persons	26 November 2009	HK$2.07	**1,200,000**	**3,500,000**	**–**	**–**	**–**	**4,700,000**
			13,364,000	**–**	**–**	**–**	**(52,000)**	**13,312,000**
Directors of the Company	18 January 2010	HK$1.84	**3,400,000**	**–**	**–**	**–**	**–**	**3,400,000**
Directors of the Company	10 October 2011	HK$0.794	**–**	**(500,000)**	**9,000,000**	**–**	**–**	**8,500,000**
Employees	10 October 2011	HK$0.794	**–**	**–**	**9,100,000**	**–**	**–**	**9,100,000**
Other eligible persons	10 October 2011	HK$0.794	**–**	**500,000**	**–**	**–**	**–**	**500,000**
			–	**–**	**18,100,000**	**–**	**–**	**18,100,000**
Total			**17,704,139**	**–**	**18,100,000**	**–**	**(52,000)**	**35,752,139**
Exercisable as at 31 December 2011								**35,752,139**
Weighted average exercise price			**HK$1.97**	**–**	**HK$0.794**	**–**	**HK$2.07**	**HK$1.37**

29. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

Year ended 31 December 2010

			Number of share options					
Categories of grantees	Grant date	Exercise price per share	Balance as at 1 January 2010	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance as at 31 December 2010
Directors of the Company	9 July 2002	HK$1.00	491,057	–	–	–	–	491,057
Employees	9 July 2002	HK$1.00	24,942	–	–	(20,000)	–	4,942
Other eligible persons	9 July 2002	HK$1.00	344,140	–	–	–	–	344,140
			860,139	–	–	(20,000)	–	840,139
Directors of the Company	25 March 2004	HK$0.64	1,100,000	–	–	(1,100,000)	–	–
Employees	25 March 2004	HK$0.64	150,000	–	–	(150,000)	–	–
Other eligible persons	25 March 2004	HK$0.64	700,000	–	–	(600,000)	–	100,000
			1,950,000	–	–	(1,850,000)	–	100,000
Directors of the Company	26 November 2009	HK$2.07	7,200,000	(600,000)	–	–	–	6,600,000
Employees	26 November 2009	HK$2.07	8,900,000	–	–	(3,276,000)	(60,000)	5,564,000
Other eligible persons	26 November 2009	HK$2.07	600,000	600,000	–	–	–	1,200,000
			16,700,000	–	–	(3,276,000)	(60,000)	13,364,000
Directors of the Company	18 January 2010	HK$1.84	–	–	3,400,000	–	–	3,400,000
Total			19,510,139	–	3,400,000	(5,146,000)	(60,000)	17,704,139
Exercisable as at 31 December 2010								17,704,139
Weighted average exercise price			HK$1.88	–	HK$1.84	HK$1.55	HK$2.07	HK$1.97

In respect of the share options exercised during the year ended 31 December 2010, the weighted average share price of the Company when the share options being exercised is HK$3.12.

29. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

During the year ended 31 December 2011, share options to subscribe for a total of 18,100,000 underlying shares were granted on 10 October 2011 which were fully vested at the grant date. The estimated fair value of the share options granted on that date was approximately HK$3,813,000 which was calculated using the Binomial option pricing model in accordance with a valuation report prepared by an independent valuer. The inputs into the model were as follows:

	Share options granted on 10 October 2011
Market price at date of grant	**HK$0.76**
Exercise price	**HK$0.794**
Expected volatility	**80.285%**
Dividend yield	**0%**
Risk free rate	**0.433%**

Expected volatility for the share options granted on 10 October 2011 was determined by using the historical volatility of the Company's share price over the previous 3 years. Risk free rate was determined with reference to yield of 3 years Hong Kong Exchange Fund Note as at the valuation date of 10 October 2011.

The Group recognised the total expenses of approximately HK$3,813,000 for the year ended 31 December 2011 (2010: HK$2,591,000) in relation to share options granted under the Schemes by the Company.

Awarded share schemes

On 31 March 2008, the Board approved the establishment of two share incentive award schemes, namely the Share Subscription Scheme and the Share Purchase Scheme. The Share Subscription Scheme will subscribe for new shares whereas the Share Purchase Scheme utilises shares purchased in the market. The Directors of the Company and any subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

The purpose of each of the Share Subscription Scheme and the Share Purchase Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of employees of the Company and any subsidiaries (excluding Directors of the Company and any subsidiaries and other connected persons of the Company in respect of the Share Subscription Scheme). The Board may determine from time to time to award shares 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.

29. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes – continued

Share Subscription Scheme

The Share Subscription Scheme is a form of a share incentive award scheme known as The VC Share Award Scheme Trust. The Directors of the Company and any subsidiaries and other connected persons of the Company will not be entitled to participate in the Share Subscription Scheme. The number of shares to be issued under the Share Subscription Scheme is limited to one per cent of the ordinary issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting).

Vesting of the shares will be conditional on the selected employee remaining as an employee of the Company or a subsidiary until the vesting date. The Board of Directors also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the shares. No share was granted through the Share Subscription Scheme since its establishment.

Share Purchase Scheme

The Share Purchase Scheme is a form of a share incentive award scheme known as The VC Share Purchase Scheme Trust. The Directors and employees of the Company and any subsidiaries will be entitled to participate in the Share Purchase Scheme. The number of shares to be issued under the Share Purchase Scheme is limited to two per cent of the ordinary issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting).

Vesting of the shares will be conditional on the selected employee remaining as the Director or an employee of the Company or a subsidiary until the vesting date. The Board of Directors also has the discretion to stipulate such other conditions in respect of a particular Director or an employee which will apply to the vesting of the shares.

For the year ended 31 December 2011, there was no movement and outstanding awarded shares under the Share Purchase Scheme. Movements in the number of awarded shares outstanding during the year ended 31 December 2010 are as follows:

			Number of awarded shares					
Categories of awardees	Date of award	Fair value per share	Balance as at 1 January 2010	Awarded during the year	Vested during the year	Lapsed/ forfeited during the year	Balance as at 31 December 2010	Vesting date
	(Note 1)	*(Note 2)*						
Directors of the Company	18 August 2008	HK$1.2965	408,000	–	(408,000)	–	–	1 April 2010
Directors of the Company	25 January 2010	HK$1.78	–	329,869	(329,869)	–	–	25 Janaury 2010
Employees	18 August 2008	HK$1.2965	428,000	–	(428,000)	–	–	1 April 2010
Employees	25 January 2010	HK$1.78	–	618,000	(618,000)	–	–	25 Janaury 2010
			836,000	947,869	(1,783,869)	–	–	

29. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes – continued

Share Purchase Scheme – continued

Notes:

(1) The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Purchase Scheme.

(2) The fair value of the awarded shares are based on the fair value at the date of award.

The Group did not recognise any expenses for the year ended 31 December 2011 (2010: HK$1,852,000) in relation to shares awarded under the Share Purchase Scheme by the Company.

30. 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.

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 profit or loss.

30. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL LIABILITIES – continued

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 proceeds 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 1 January 2010	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 31 December 2010 and 31 December 2011	–

Derivative financial liabilities

	HK$'000
Option for the HK$10M Optional Bonds recognised as derivative financial liabilities at 9 April 2010	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 31 December 2010 and 31 December 2011	–

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 31 December 2010 and 31 December 2011	–

31. FINANCIAL GUARANTEE

As at 31 December 2011, the Company has given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK$130 million (2010: HK$130 million). At 31 December 2011, HK$40 million banking facilities was utilised by VC Brokerage Limited (2010: HK$40 million). The fair value of the financial guarantee contracts is immaterial.

32. COMMITMENTS

(a) Capital commitments

As at 31 December 2011 and 31 December 2010, the Group and the Company did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment.

(b) Commitments under operating leases

As at 31 December 2011 and 31 December 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**8,937**	7,978
In the second to fifth years inclusive	**3,405**	9,158
	12,342	17,136

Operating lease payments represent rentals payable by the Group for certain of its office properties. Rentals are fixed for lease terms of 1.8 to 3 years (2010: 0.25 to 2 years).

As at 31 December 2011 and 31 December 2010, the Company did not have any operating lease commitments.

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2011	2010
	HK$'000	*HK$'000*
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**355**	335

The balances with related parties are set out on the consolidated statement of financial position of the Group and in Notes 22, 23 and 24.

The balances with related parties are set out on the statement of financial position of the Company and in Notes 20 and 27.

Compensation of key management personnel

The remuneration of Directors and other members of key management personnel of the Company during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Short term benefits	**22,376**	17,536
Share-based payments	**2,423**	3,629
Post employment benefits	**102**	84
Other long-term benefits	**7**	–
	24,908	21,249

The remuneration of Directors and key executives of the Company is determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

Five Years' Financial Summary

A summary of the consolidated results and of the consolidated assets and liabilities of the Group of the past five financial years is set out below:

	For the year ended 31 December				
	2011	2010	2009	2008	2007
Consolidated results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**92,865**	115,629	135,734	129,672	323,747
Other income	**642**	598	912	6,686	3,795
Staff costs	**(80,466)**	(83,156)	(102,226)	(81,075)	(169,693)
Depreciation of property, plant and equipment	**(1,960)**	(2,063)	(2,053)	(2,670)	(1,625)
Amortisation of trading rights	**–**	(252)	(507)	(507)	(507)
Commission expenses	**(3,668)**	(6,257)	(6,915)	(4,890)	(19,452)
Finance costs	**(856)**	(1,107)	(1,457)	(6,959)	(43,275)
Other operating expenses	**(33,010)**	(28,696)	(26,994)	(29,169)	(32,933)
Impairment loss recognised on available-for-sale investment	**(241)**	–	–	–	–
Share of loss of jointly controlled entities	**–**	(37,832)	(13,494)	(2,124)	–
Fair value changes on financial liabilities designated at fair value through profit or loss	**–**	(22,950)	(1,184)	–	–
Fair value changes on derivative financial liabilities	**–**	(11,033)	–	–	–
Goodwill impairment	**–**	(8,151)	–	–	–
Net gain on trading investments	**–**	–	–	–	2,051
(Loss) profit before taxation	**(26,694)**	(85,270)	(18,184)	8,964	62,108
Income tax expense	**(550)**	(3,666)	(4,330)	(1,388)	(11,750)
(Loss) profit for the year	**(27,244)**	(88,936)	(22,514)	7,576	50,358
Other comprehensive income					
Exchange differences arising on translation of foreign operations	**13**	(88)	–	(317)	(297)
Total comprehensive income for the year	**(27,231)**	(89,024)	(22,514)	7,259	50,061
(Loss) profit for the year attributable to:					
Owners of the Company	**(26,660)**	(87,985)	(22,514)	7,576	50,358
Non-controlling interests	**(584)**	(951)	–	–	–
	(27,244)	(88,936)	(22,514)	7,576	50,358
Total comprehensive income for the year attributable to:					
Owners of the Company	**(26,647)**	(88,073)	(22,514)	7,259	50,061
Non-controlling interests	**(584)**	(951)	–	–	–
	(27,231)	(89,024)	(22,514)	7,259	50,061
(Loss) earnings per share (HK cents)					
Basic	**(6.67)**	(22.47)	(6.09)	2.05	16.97
Diluted	**(6.67)**	(22.47)	(6.09)	2.04	16.59

	As at 31 December				
	2011	2010	2009	2008	2007
Consolidated assets and liabilities	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**635,913**	710,234	690,136	689,157	959,863
Total liabilities	**(66,005)**	(120,592)	(81,700)	(77,009)	(354,376)
	569,908	589,642	608,436	612,148	605,487
Equity attributable to owners of the Company	**568,729**	588,100	608,436	612,148	605,487
Non-controlling interests	**1,179**	1,542	–	–	–
	569,908	589,642	608,436	612,148	605,487