VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821

www.vcgroup.com.hk

Interim Report 2012

Delivering Value
Through Excellence

CORPORATE INFORMATION

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

Remuneration Committee
Mr. LAM Kwok Hing, Wilfred *(Chairman)*
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. WONG Chung Kin, Quentin

Finance Committee
Ms. SO Wai Yee, Betty *(Chairman)*
Mr. CHAU King Fai, Philip
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
Tricor Abacus Limited
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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

This Interim Report is printed on environmentally friendly paper.

CONTENTS

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (the "Company") submits the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012, together with the unaudited comparative figures of the corresponding period in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Since the financial tsunami happened in the fourth quarter of 2008, many economies in the global had recovered quickly in reaction to substantial monetary and fiscal measures initiated by the public sectors of a number of countries, including China. These measures had helped stabilize the capital markets, stimulate domestic demand and encourage economic growth globally for a while. However, its significant aftershocks still rippled through in the past few years and even in 2012. Global economy was still overshadowed by a number of challenges and uncertainties – escalation of the European debt crisis, especially for Spain and Greece, potential slow down of the emerging markets, among others. These made the global stock markets highly volatile and the market sentiment was also deeply impacted. Moreover, the poor market sentiment making the global initial public offering activities and the merger and acquisition transactions around the world continued to be obstructed and dampened the investment climate, particularly in the Asia Pacific region. In light of the continuous deterioration in market conditions and unexpected excessive market volatility, many companies had hesitations in proceeding with the new listings or public offerings at this time.

As an international financial center, Hong Kong was inevitably affected by the murky macro environment. The local stock market in the first half of 2012 was volatile and the gloomy market sentiment was manifested by the stagnancy in the Hong Kong daily trading turnover, market capitalization and other various market indices. As at 30 June 2012, the Hang Seng Index closed at 19,441 which was slightly higher than that of 18,434 at the end of 2011, and the total market capitalization had only marginally increased by about 5% from approximately HK$17,537 billion as at 31 December 2011 to HK$18,429 billion as at 30 June 2012. However, the Hong Kong stock market's average daily trading turnover had dropped continuously in the first half of 2012, which decreased to approximately HK$56.7 billion from HK$73.6 billion for the same period in 2011, representing a drop of about 23%. The average daily trading turnover had decreased from approximately HK$63.2 billion in the first quarter of 2012 to HK$50.2 billion in the second quarter of 2012, representing a drop of about 21%. Meanwhile, the Hang Seng China Enterprises Index closed at 9,574 as at 30 June 2012, which had dropped about 4% from 9,936 as at 31 December 2011. In addition, as compared to the local market indices as at 30 June 2011, in which the total market capitalization, the Hang Seng Index, and the Hang Seng China Enterprises Index were HK$21,104 billion, 22,398 and 12,576 respectively, all these revealed that the market sentiment of local investors in the first half of 2012 was still greatly suppressed by the market uncertainties. Indeed, the market performance of Hong Kong was still substantially below the pre-financial tsunami level.

The Group's core businesses and objectives remained focused on securities, futures and options brokering, corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, as well as asset management. Because of the nature of the Group's core business in financial services, our business performance in the first half of 2012 continued to be affected by the abovementioned negative global and local economic and market conditions. Nevertheless, with our sound balance sheet, premium investment and wealth management services and products against our peers, we believe that we possess clear competitive advantages and we can continue to enhance our shareholders' value. The Group will endeavor to strive for better performance and prepare ourselves for future business opportunities.

For details of the financial results analysis of the Group for the six months ended 30 June 2012 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects the second half of 2012 will still be challenging to the financial sector. The European debt crisis is a major global economic problem that will keep driving market speculation if it remains unresolved and not handled properly. The market conditions are expected to keep being volatile, and the market sentiment will be difficult to improve.

Considering the strong economic tie between Hong Kong and the Mainland, and the 12th Five-year Plan delivered last year which aims at promoting closer economic partnership arrangements and regional economic development, consolidating Hong Kong's position as an international financial center, and further strengthening collaboration among Hong Kong, Macau and the Mainland, we expect Hong Kong is still well-positioned to benefit from China's relatively optimistic economic prospects.

The Group will continue to apply our excellent operational capabilities to serve customers, pursue business diversification and acquisition, as appropriate, and push for innovation, to ensure that we will be able to reap benefits when the financial market fully rebounds in the near future and capture the potential opportunities in expanding into China.

Financial Review

Affected by poor market sentiment, for the six months ended 30 June 2012, the Group's consolidated revenue was approximately HK$32.8 million, which had decreased by about 38% as compared with the same period in 2011. The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$24.3 million for the six months ended 30 June 2012 against a consolidated profit of approximately HK$1.1 million for the same period in 2011.

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segmental results:		
Brokerage	**(9,084)**	8,612
Corporate Finance	**(8,387)**	(900)
Asset Management	**(481)**	(769)
Group operating (loss) profit	**(17,952)**	6,943
Unallocated costs	**(6,605)**	(4,484)
Impairment loss on available-for-sale investment	**(103)**	–
(Loss) profit before taxation	**(24,660)**	2,459
Income tax expense	**(4)**	(1,455)
(Loss) profit for the period	**(24,664)**	1,004
Non-controlling interests	**327**	74
(Loss) profit for the period attributable to shareholders of the Company	**(24,337)**	1,078

Brokerage

For the six months ended 30 June 2012, 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$30.6 million, representing a decrease of about 34% from HK$46.5 million for the same period last year. The drop in brokerage revenue was mainly due to the decrease in interest income from financing business to approximately HK$9.8 million for the six months ended 30 June 2012 from HK$18.7 million for the same period last year, representing a significant drop of about 48%. This was mainly attributable to the decrease of our average loan portfolio by about 46% to HK$245.8 million for the six months ended 30 June 2012 from approximately HK$459.3 million for the same period last year, resulting in the substantial decrease in revenue from interest income. Further, in view of the uncertain market conditions, the Group had strengthened the credit control policies and procedures, including the review of our clients' creditworthiness and credit limits, so as to minimize our credit risk exposure. For the six months ended 30 June 2012, the Group had made an additional impairment of HK$5.7 million (2011: 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.

Meanwhile, the Group's brokerage commission had also decreased to approximately HK$17.8 million for the six months ended 30 June 2012 from approximately HK$23.9 million for the same period last year, representing a decrease of about 26%, which reflected the poor market sentiment of the Hong Kong Stock Market and revealed the continuous drop in its average daily trading turnover in the first half of 2012 as mentioned in the section "Business Review" above. Net brokerage commission income was relatively decreased by about 27% from approximately HK$9.6 million to HK$7 million.

Further, the Group also offers placing and underwriting services to our customers, and acts as placing agents and underwriters for many Hong Kong listed companies' fund raising activities. During the six months ended 30 June 2012, the same as other revenue streams, the Group's placing and underwriting commission generated had also decreased slightly to approximately HK$3 million (2011: HK$3.8 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.

Overall, the operating performance of the brokerage and related businesses for the six months ended 30 June 2012 was significantly worse than that of last year. For the six months ended 30 June 2012, the operating loss before and after taxation generated from the brokerage business was approximately HK$9.1 million (2011: profit before and after taxation of HK$8.6 million and HK$7.2 million respectively).

Corporate Finance

During the six months ended 30 June 2012, VC Capital Limited (an indirect wholly owned subsidiary of the Company as at 30 June 2012), had been appointed as the financial advisers of several Hong Kong listed companies for a number of corporate transactions and actively involved in helping some clients as sponsors to seek for listing on the Main Board and also the GEM of The Stock Exchange of Hong Kong Limited.

For the six months ended 30 June 2012, the Group's corporate financial advisory and related businesses recorded a revenue totaling approximately HK$2.2 million (2011: HK$6.7 million), and generated an operating loss before and after taxation of approximately HK$8.4 million (2011: HK$0.9 million). Its business performance for the six months ended 30 June 2012 was worse as compared to that of the same period in 2011. As mentioned in the section "Business Review" above, due to the continuous poor market sentiment, many companies have delayed their initial public offerings plans and even some merger and acquisition transactions have also been on hold since the second half of 2011. As such, the operating performance of the corporate finance business had gone downward since 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

Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Group is still pursuing new business opportunities to grow its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of our customers.

For the six months ended 30 June 2012, the Group's asset management business, mainly through VC Asset Management Limited (an indirect wholly owned subsidiary of the Company as at 30 June 2012), recorded an operating loss before and after taxation of approximately HK$0.5 million (2011: HK$0.8 million), which mainly representing the general operating expenses incurred for such business.

Unallocated costs

For the six months ended 30 June 2012, the unallocated costs of the Group was approximately HK$6.6 million as compared to approximately HK$4.5 million for the same period in 2011, 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 period was mainly attributable to the increase of the staff costs, including the recognition of the fair value of approximately HK$1.5 million in relation to the share options granted to the Directors of the Company during the six months ended 30 June 2012.

Finance costs

During the six months ended 30 June 2012, the finance costs of the Group was approximately HK$434,000 (2011: HK$430,000), in which all were incurred in relation to the short-term bank loans utilised for the brokerage business.

Income tax expense

No provision for Hong Kong Profits Tax had been made as there was no assessable profits during the six months ended 30 June 2012 (2011: HK$1.5 million). The income tax expense for the previous year was mainly the provision of income tax charge in relation to the profitability generated from the brokerage business.

Liquidity and financial resources/capital structure

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

The Group adopts a prudent treasury policy. As at 30 June 2012, 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 30 June 2012.

The Group held banking facilities of HK$130 million granted from a bank to a subsidiary, VC Brokerage, as at 30 June 2012 (31 December 2011: HK$130 million), in which HK$80 million (31 December 2011: 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 (31 December 2011: HK$40 million), and the other HK$50 million (31 December 2011: 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 30 June 2012, the Group had utilised the general short-term money market loan of HK$40 million (31 December 2011: HK$40 million), which bore an interest rate at HIBOR plus 2% per annum, by pledge of bank deposits of HK$40 million (31 December 2011: HK$40 million).

As at 30 June 2012, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$542.9 million (31 December 2011: HK$559.1 million), HK$314.3 million (31 December 2011: HK$321 million) and HK$549.5 million (31 December 2011: HK$568.7 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 7.9 as at 30 June 2012 (31 December 2011: 9.5).

As at 30 June 2012, the total number of issued ordinary shares of the Company was 405,244,829 at HK$0.10 each (31 December 2011: 399,736,829 shares of HK$0.10 each). The increase of 5,508,000 shares during the six months ended 30 June 2012 was due to the exercise of share options by the Directors of the Company and the employees of the Group.

The placing and issue of 79,900,000 warrants ("Warrant(s)") at an issue price of HK$0.05 per Warrant completed on 14 July 2011 was outstanding as at 30 June 2012. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 ("Subscription Share(s)") and 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 16.5% of the issued share capital of the Company as enlarged by the issue and allotment of these Subscription Shares as at 30 June 2012. The maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$101.1 million. However, no Warrants had been exercised during the exercise period, i.e. 14 July 2011 to 13 July 2012. Hence, the Warrants expired on 13 July 2012.

Charges on group assets

As aforementioned, the Group had made a HK$40 million charge over its bank deposits to a bank (31 December 2011: HK$40 million) for securing banking facilities of HK$80 million granted to VC Brokerage in short-term money market loan and current account overdraft as at 30 June 2012 (31 December 2011: HK$80 million).

Gearing ratio

As at 30 June 2012, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was still at a satisfactory level of about 0.07 times (31 December 2011: 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. During the six months ended 30 June 2012, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize the exchange related risks.

Headcount and employees information

As at 30 June 2012, the Group had a total of 118 employees (31 December 2011: 119), of whom 107 (31 December 2011: 108) were stationed in Hong Kong and 11 (31 December 2011: 11) in China.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$24.1 million and HK$9.9 million respectively for the six months ended 30 June 2012 (2011: HK$21 million and HK$13.3 million respectively). The former one included equity-settled share-based payments of approximately HK$1.5 million (2011: Nil). Details had been given in note 4 to the unaudited condensed 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 six months ended 30 June 2012, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in note 16 to the unaudited condensed consolidated financial statements.

Future plans for material investments or capital assets

As at 30 June 2012, the Group had no known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate.

As at 30 June 2012, the Group had made commitments contracted but not provided for in the unaudited condensed consolidated financial statements in respect of purchase of property and equipment of approximately HK$398,000 (31 December 2011: Nil).

Contingent liabilities

As at 30 June 2012, the Company had given financial guarantees of HK$130 million (31 December 2011: HK$130 million) to a bank in respect of banking facilities of HK$130 million provided to VC Brokerage as mentioned in the section "Liquidity and financial resources/capital structure" above. As at 30 June 2012, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (31 December 2011: HK$40 million).

By Order of the Board of
Value Convergence Holdings Limited
Ha Shu Tong
Chief Executive Officer

Hong Kong, 22 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Revenue	3	**32,829**	53,227
Other income	3	**1,073**	146
Staff costs	4	**(33,983)**	(34,344)
Commission expenses		**(2,503)**	(2,367)
Depreciation of property and equipment	9	**(897)**	(1,056)
Finance costs		**(434)**	(430)
Other operating expenses		**(20,642)**	(12,717)
Impairment loss on available-for-sale investment		**(103)**	–
(Loss) profit before taxation		**(24,660)**	2,459
Income tax expense	5	**(4)**	(1,455)
(Loss) profit for the period	6	**(24,664)**	1,004
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(4)**	3
Total comprehensive income for the period		**(24,668)**	1,007
(Loss) profit for the period attributable to:			
Owners of the Company		**(24,337)**	1,078
Non-controlling interests		**(327)**	(74)
		(24,664)	1,004
Total comprehensive income for the period attributable to:			
Owners of the Company		**(24,341)**	1,081
Non-controlling interests		**(327)**	(74)
		(24,668)	1,007
(Loss) earnings per share (HK cents)			
Basic	8	**(6.04)**	0.27
Diluted	8	**(6.04)**	0.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Non-current assets			
Trading rights		–	–
Property and equipment	9	1,899	3,563
Statutory deposits		2,992	2,988
Other intangible assets		1,547	1,547
Investments in jointly controlled entities		–	–
Available-for-sale investment		156	259
Rental and utility deposits		–	2,432
		6,594	10,789
Current assets			
Accounts receivable	10	260,124	258,283
Prepayments, deposits and other receivables		4,993	3,658
Tax recoverable		2,165	2,165
Pledged bank deposits		40,000	40,000
Bank balances and cash	11	314,344	321,018
		621,626	625,124
Current liabilities			
Accounts payable	12	30,231	19,365
Accrued liabilities and other payables		8,478	6,526
Taxation payable		–	114
Short-term bank borrowings	13	40,000	40,000
		78,709	66,005
Net current assets		542,917	559,119
Total assets less current liabilities		549,511	569,908
Capital and reserves			
Share capital	14	40,524	39,974
Reserves		508,987	528,755
Equity attributable to owners of the Company		549,511	568,729
Non-controlling interests		–	1,179
Total equity		549,511	569,908

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Exchange reserve HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (Note 2)	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (Audited)	39,974	427,064	123,758	(942)	(16,593)	14,637	202	588,100	1,542	589,642
Profit for the period	–	–	–	–	1,078	–	–	1,078	(74)	1,004
Other comprehensive income for the period	–	–	–	3	–	–	–	3	–	3
Total comprehensive income for the period	–	–	–	3	1,078	–	–	1,081	(74)	1,007
At 30 June 2011 (Unaudited)	39,974	427,064	123,758	(939)	(15,515)	14,637	202	589,181	1,468	590,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Share option reserve	Other reserve	Warrant reserve	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 2)*	*HK$'000* *(Note 3)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (Audited)	39,974	427,064	123,758	(929)	(43,206)	18,403	(19)	3,684	568,729	1,179	569,908
Loss for the period	–	–	–	–	(24,337)	–	–	–	(24,337)	(327)	(24,664)
Other comprehensive income for the period	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Total comprehensive income for the period	–	–	–	(4)	(24,337)	–	–	–	(24,341)	(327)	(24,668)
Difference arising on change in interests in subsidiaries	–	–	–	–	–	–	(748)	–	(748)	(852)	(1,600)
Exercise of share options	550	3,823	–	–	–	–	–	–	4,373	–	4,373
Transfer of share option reserve upon exercise of share options	–	1,160	–	–	–	(1,160)	–	–	–	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	8	(8)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	1,502	–	–	1,502	–	1,502
Share issue expenses	–	(4)	–	–	–	–	–	–	(4)	–	(4)
At 30 June 2012 (Unaudited)	40,524	432,043	123,758	(933)	(67,535)	18,737	(767)	3,684	549,511	–	549,511

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2012

(2) Pursuant to the disposal of 9.9% of the interest in each of the Group's two indirect wholly owned subsidiaries, VC Capital Limited ("VC Capital") and VC Asset Management Limited ("VC Asset Management") by VC Financial Group Limited (the Company's direct wholly owned subsidiary), at a cash 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 and VC Asset Management of approximately HK$1,317,000 and HK$681,000 respectively had been recognised in Other Reserve.

On 30 December 2011, VC Asset Management had issued 3,000,000 new shares of HK$1 each, which had been fully subscribed and paid by VC Financial Group Limited. As such, the Group's interest in VC Asset Management 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 had been recognised in Other Reserve.

On 6 June 2012, VC Financial Group Limited had completed the acquisition of the remaining interests of 9.9% and 8.84% in VC Capital and VC Asset Management at a cash consideration of HK$1,000,000 and HK$600,000 respectively. The negative differences of approximately HK$744,000 and HK$4,000 between the purchase considerations and the amounts acquired from non-controlling interests of VC Capital and VC Asset Management of approximately HK$256,000 and HK$596,000 respectively 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 and can be exercised until 13 July 2012. 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. As at 30 June 2012, these warrants were outstanding. Subsequently, these warrants had been expired on 13 July 2012 as these had not been exercised by the expiry date.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	**(9,382)**	79,629
Cash flows from investing activities		
Purchase of non-controlling interests in subsidiaries	**(1,600)**	–
Purchase of other intangible assets	**–**	(1,000)
Purchase of available-for-sale investment	**–**	(500)
Other investing cash flows	**(61)**	(168)
Net cash used in investing activities	**(1,661)**	(1,668)
Cash flows from financing activities		
Proceeds from exercise of share options	**4,373**	–
Share issue expenses	**(4)**	–
Net cash generated from financing activities	**4,369**	–
Net (decrease) increase in cash and cash equivalents	**(6,674)**	77,961
Cash and cash equivalents at the beginning of period	**321,018**	115,478
Effect of exchange rate changes on the balance of cash held in foreign currencies	**–**	7
Cash and cash equivalents at the end of period, represented by bank balances and cash	**314,344**	193,446

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2011 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the 2012 financial year.

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following new and revised HKFRSs have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 10	Consolidated financial statements[1]
Amendments to HKFRS 11	Joint arrangements[1]
Amendments to HKFRS 12	Disclosure of interests in other entities[1]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in Annual Improvements 2009-2011 Cycle issued in June 2012[1]

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

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**17,784**	23,929
Underwriting, sub-underwriting, placing and sub-placing commission	**3,047**	3,841
Arrangement, management, advisory and other fee income	**2,241**	6,779
Interest income from clients	**9,757**	18,678
	32,829	53,227
Other income		
Interest income	**1,026**	140
Sundry income	**47**	6
	1,073	146
Total income	**33,902**	53,373

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.

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

The following tables represent revenue and results information of these operating segments for the six months ended 30 June 2012 and 2011.

Six months ended 30 June 2012 (Unaudited)

	Brokerage HK$'000	Corporate finance HK$'000	Asset management HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue	**30,608**	**2,221**	**–**	**32,829**	**–**	**32,829**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**	**–**
	30,608	**2,221**	**–**	**32,829**	**–**	**32,829**
Segment loss	**(9,084)**	**(8,387)**	**(481)**	**(17,952)**	**–**	**(17,952)**
Elimination of intra-group costs						**6,843**
Central administrative costs						**(13,448)**
Impairment loss on available-for-sale investment						**(103)**
Loss before taxation for the period						**(24,660)**

Six months ended 30 June 2011 (Unaudited)

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

Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group costs, central administrative costs 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 rate.

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012 and 2011, 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 the six months ended 30 June 2012 and 2011. Almost all of its non-current assets, excluding investments in jointly controlled entities, are attributed to the operations in Hong Kong.

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

4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff commission	**9,877**	13,343
Salaries and wages	**20,250**	19,076
Staff welfare	**1,187**	826
Recruitment costs	**1**	349
Termination benefits	**400**	17
Provision of long service payment/annual leave benefits	**215**	155
Retirement benefits scheme contributions	**551**	578
Recognition of equity-settled share-based payment *(Note 15)*	**1,502**	–
	33,983	34,344

5. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	**–**	1,455
Underprovision in prior year		
PRC Enterprise Income Tax	**4**	–
	4	1,455

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

5. INCOME TAX EXPENSE (Continued)

At 30 June 2012, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$814,000 and HK$200,252,000 respectively (31 December 2011: HK$493,000 and HK$181,708,000). No deferred tax asset has been recognised as at 30 June 2012 (31 December 2011: Nil) in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised, and it is also uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

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

6. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Included in other operating expenses:		
Auditors' remuneration	**479**	504
Operating leases in respect of land and buildings	**4,587**	4,363
Allowance for doubtful receivables, net	**5,698**	–
Loss on disposal/written off of property and equipment	**821**	–
Net exchange loss	**4**	–
Included in other income:		
Net exchange gain	**–**	(1)

7. DIVIDENDS

No dividends were paid or declared or proposed by the Company during the six months ended 30 June 2012 (2011: Nil). The Directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2012.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	**(24,337)**	1,078
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**403,155**	399,737
Effect of dilutive potential ordinary shares:		
Share options	**–**	221
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**403,155**	399,958

The diluted loss per share for the six months ended 30 June 2012 is computed excluding the effects of the share options and the warrants as the exercise of the Company's share options and warrants are anti-dilutive.

9. PROPERTY AND EQUIPMENT

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying value, beginning of period/year	**3,563**	3,504
Additions	**93**	2,049
Depreciation	**(897)**	(1,960)
Written off/disposal	**(857)**	(35)
Exchange difference	**(3)**	5
Carrying value, end of period/year	**1,899**	3,563

10. ACCOUNTS RECEIVABLE

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable arising from the ordinary course of business of dealing in securities transactions *(Note a)*:		
Clearing houses and brokers	**205**	17,960
Cash clients	**23,841**	9,823
Margin clients	**236,078**	230,036
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note b)*	**–**	464
	260,124	258,283

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

The credit quality of accounts receivable are summarised as follows:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**252,969**	246,545
Past due but not impaired *(Note c)*	**1,290**	2,263
Impaired *(Note d)*	**17,013**	14,939
	271,272	263,747
Less: Allowance for impairment *(Note d)*	**(11,148)**	(5,464)
	260,124	258,283

The accounts receivable with a carrying amount of approximately HK$252,969,000 are neither past due nor impaired as at 30 June 2012 (31 December 2011: HK$246,545,000). The management is satisfied with the credit quality of these clients, and the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

10. 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.

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$274,274,000 in relation to the receivables being not impaired and a fair value of approximately HK$79,000 in relation to the receivables being impaired as at 30 June 2012 (31 December 2011: HK$299,456,000 and HK$74,000 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 30 June 2012, accounts receivable due from margin clients of approximately HK$16,480,000 (31 December 2011: HK$14,403,000) 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$571,375,000 in relation to the receivables being not impaired and a fair value of approximately HK$3,931,000 in relation to the receivables being impaired as at 30 June 2012 (31 December 2011: HK$593,685,000 and HK$9,361,000 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 30 June 2012, accounts receivable of approximately HK$27,000 (31 December 2011: HK$96,000) 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, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**22,687**	25,722
31-90 days	**399**	563
Over 90 days	**960**	1,498
	24,046	27,783

10. 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:

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Within 30 days	**–**	261
31-90 days	**–**	103
Over 90 days	**–**	100
	–	464

(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:

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
31-90 days	**377**	666
Over 90 days	**913**	1,597
	1,290	2,263

Cash clients receivable which are past due but not impaired amounted to approximately HK$1,290,000 as at 30 June 2012 (31 December 2011: HK$2,060,000). 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 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.

10. 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, collaterals and the past collection history of each client.

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

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Balance at beginning of the period/year	**5,464**	1,275
Impairment loss recognised	**5,698**	5,189
Amounts written off as uncollectible	**(14)**	(1,000)
Balance at end of the period/year	**11,148**	5,464

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.

11. BANK BALANCES AND CASH

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, VC Futures Limited and VC Capital act as trustees that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its unaudited condensed consolidated statement of financial position. As at 30 June 2012, the Group maintained segregated accounts with HKFE Clearing Corporation Limited of approximately HK$1,129,000 (31 December 2011: HK$3,260,000) and the authorised institutions of approximately HK$346,531,000 (31 December 2011: HK$245,154,000) 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 unaudited condensed consolidated financial statements.

12. ACCOUNTS PAYABLE

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Notes a and b)*:		
Clearing house and brokers	**12,258**	–
Cash clients	**16,584**	17,302
Margin clients	**1,389**	2,046
Accounts payable arising from the ordinary course of business of corporate financial advisory services	**–**	17
	30,231	19,365

12. ACCOUNTS PAYABLE (Continued)

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 30 June 2012, there was no accounts payable 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 (31 December 2011: HK$204,000).

13. SHORT-TERM BANK BORROWINGS

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits of HK$40 million and bore an interest rate at HIBOR plus 2% per annum as at 30 June 2012 and 31 December 2011. The weighted average effective interest rate for the six months ended 30 June 2012 was 2.18% (2011: 2.08%) per annum.

14. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.10 each	
	Number of shares	**Amount**
		HK$'000
At 31 December 2011 and 30 June 2012	10,000,000,000	1,000,000

	Issued and fully paid Ordinary shares of HK$0.10 each	
	Number of shares	**Amount**
		HK$'000
At 1 January 2011 and 31 December 2011 (Audited)	399,736,829	39,974
Exercise of share options	5,508,000	550
At 30 June 2012 (Unaudited)	405,244,829	40,524

15. SHARE-BASED PAYMENT

On 6 June 2012, share options to subscribe for a total of 5,000,000 underlying shares were granted to certain Directors of the Company, which were fully vested at the grant date. The estimated fair value of the share options granted on that date was approximately HK$1,502,000 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 6 June 2012
Market price at date of grant	HK$0.99
Exercise price	HK$1.04
Expected volatility	74.126%
Dividend yield	0%
Risk free rate	0.266%

Expected volatility for the share options granted on 6 June 2012 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 6 June 2012.

The Group recognised the total expenses of approximately HK$1,502,000 for the six months ended 30 June 2012 (2011: Nil) in relation to share options granted under the 2009 Share Option Scheme of the Company.

16. ACQUISITION OF THE REMAINING INTERESTS IN SUBSIDIARIES

On 6 June 2012, VC Financial Group Limited had completed the acquisition of the remaining interests of 9.9% and 8.84% in VC Capital and VC Asset Management at a cash consideration of HK$1,000,000 and HK$600,000 respectively, resulting in its controlling interests in both companies increased to 100%. The negative differences of approximately HK$744,000 and HK$4,000 between the purchase considerations and the amounts acquired from non-controlling interests of VC Capital and VC Asset Management of approximately HK$256,000 and HK$596,000 respectively had been recognised in Other Reserve.

17. FINANCIAL GUARANTEE

As at 30 June 2012, the Company had given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK$130 million (31 December 2011: HK$130 million). As at 30 June 2012, HK$40 million banking facilities was utilised by VC Brokerage Limited (31 December 2011: HK$40 million). The fair value of the financial guarantee contract is immaterial.

18. RELATED PARTIES TRANSACTIONS

During the six months ended 30 June 2012 the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**78**	223

The balances with related parties are set out on the unaudited condensed consolidated statement of financial position of the Group and in notes 10 and 12.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 18 to the unaudited condensed consolidated financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2012 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the relevant interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

(a) *Ordinary Shares of HK$0.10 each of the Company*

Name of Director	Capacity	Nature of Interest	Number of issued ordinary shares held	Approximate % of issued share capital
Mr. Chau King Fai, Philip	Beneficial owner	Personal	2,369,869	0.58%
Mr. Zhou Wentao	Interest of Spouse	Personal	8,816,000 *(Note 2)*	2.18%

(b) 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 2012**	**Granted during the period**	**Exercised during the period**	**Outstanding at 30 June 2012**	**Approximate % of issued share capital**	**Date of grant**	**Exercisable period**	**Exercise price** *HK$*
Mr. Ha Shu Tong	–	4,000,000	–	4,000,000	0.99%	6 June 2012	6 June 2012 – 5 June 2015	1.04
Mr. Chau King Fai, Philip	2,000,000	–	–	2,000,000	0.49%	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	3,000,000	–	–	3,000,000	0.74%			
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	0.42%	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	3,000,000	–	–	3,000,000	0.74%			
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	0.42%	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	3,000,000	–	–	3,000,000	0.74%			

Name of Director	Number of share options: Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Outstanding at 30 June 2012	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price *HK$*
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)	–	–	10 October 2011	10 October 2011 – 9 October 2014	0.794
Ms. Wang Ying	500,000	–	–	500,000	0.12%	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Lam Kwok Hing, Wilfred	500,000	–	(500,000)	–	–	10 October 2011	10 October 2011 – 9 October 2014	0.794
Mr. Ip Chun Chung, Robert	–	500,000	–	500,000	0.12%	6 June 2012	6 June 2012 – 5 June 2015	1.04
Mr. Wong Chung Kin, Quentin	–	500,000	–	500,000	0.12%	6 June 2012	6 June 2012 – 5 June 2015	1.04
Total	**13,000,000**	**5,000,000**	**(1,500,000)**	**16,500,000**	**4.07%**			

Notes:

1. As at 30 June 2012, the total number of issued ordinary shares of the Company was 405,244,829.

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

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

4. During the six months ended 30 June 2012, no share options mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30 June 2012, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, other than the interests of the Directors or Chief Executive of the Company as disclosed above, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

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

Name	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital	*Notes*
Mr. Hu Guoen	Beneficial owner	24,480,000	6.04%	–
Eternity Sky Limited	Held by controlled corporations	29,856,000	7.37%	2
China Investment Fund Company Limited	Held by controlled corporations	29,856,000	7.37%	2

Notes:

1. As at 30 June 2012, the total number of issued ordinary shares of the Company was 405,244,829.

2. Eternity Sky Limited was deemed to be interested in 29,856,000 ordinary shares of the Company as its wholly owned subsidiaries, namely Perpetual Wealth Holdings Limited, Wildfire Sensation Limited and Super Summit Investments Limited held an aggregate of approximately 7.37% of the total issued share capital of the Company. China Investment Fund Company Limited, which held the entire issued share capital in Eternity Sky Limited, was also deemed to be interested in 29,856,000 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

At the extraordinary general meeting of the Company held on 29 November 2001, the shareholders of the Company approved the adoption of 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 the 2009 Share Option Scheme. Movements of the share options, which were granted under the GEM Share Option Scheme and the 2009 Share Option Scheme, during the six months ended 30 June 2012 were set out below:

(a) GEM Share Option Scheme

	Number of Share Options								
Category of participant	Outstanding at 1 January 2012	Reclassified during the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012	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	491,057	–	–	–	835,197	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	491,057	–	–	–	935,197			
Total	**940,139**	**-**	**-**	**-**	**-**	**940,139**			

Note:

1. Commencing from the date of grant up to the date falling six months thereafter, up to 50% of the shares comprised in the share options can be exercised. Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date of grant, all shares comprised in the share options which were not previously exercised can be exercised.

(b) 2009 Share Option Scheme

Category of participant	Number of Share Options: Outstanding at 1 January 2012	Reclassified during the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012	Date of grant	Share options duration	Exercise Price HK$
Directors[1]	3,100,000	(500,000)	–	–	–	2,600,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Directors[1]	3,400,000	–	–	–	–	3,400,000	18 January 2010	18 January 2010 – 17 January 2013	1.84
Directors[1]	8,500,000	(1,000,000)	–	(2,000,000)	–	5,500,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Directors[1]	–	–	5,000,000	–	–	5,000,000	6 June 2012	6 June 2012 – 5 June 2015	1.04
Sub-total	15,000,000	(1,500,000)	5,000,000	(2,000,000)	–	16,500,000			
Employees[1]	5,512,000	–	–	–	–	5,512,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Employees[1]	9,100,000	–	–	(3,008,000)	(40,000)	6,052,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	14,612,000	–	–	(3,008,000)	(40,000)	11,564,000			
Other eligible persons[1]	4,700,000	500,000	–	–	–	5,200,000	26 November 2009	26 November 2009 – 25 November 2012	2.07
Other eligible persons[1]	500,000	1,000,000	–	(500,000)	–	1,000,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Sub-total	5,200,000	1,500,000	–	(500,000)	–	6,200,000			
Total	**34,812,000**	**–**	**5,000,000**	**(5,508,000)**	**(40,000)**	**34,264,000**			

Note:

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

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

SHARE AWARD SCHEMES

On 31 March 2008, the Company adopted two share incentive award schemes, namely The VC Share Purchase Scheme Trust (the "Share Purchase Scheme") and The VC Share Award Scheme Trust (the "Share Subscription Scheme").

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company. The shares of the Company to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and/or any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

During the six months ended 30 June 2012, 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 and the Share Subscription Scheme.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code. Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the six months ended 30 June 2012.

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.6.4 of the CG Code (as defined below) of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has applied the principles and complied with all code provisions as set out in the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") for the period from 1 April 2012 to 30 June 2012, which were contained in Appendix 14 of the Listing Rules, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the 2012 annual general meeting of the Company held on 24 May 2012 (the "2012 AGM"), the office of the Chairman of the Board has been vacant. The Company is now in the process of identifying the suitable candidate to fill the vacancy of the Chairman. Mr. Ha Shu Tong, Chief Executive Officer of the Company, would take up the roles and functions of the Chairman until the new Chairman is on Board.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors of the Company are not appointed for specific term. However, under the article 92 of the Articles of Association of the Company, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The 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.

Under the code provision A.6.7 of the CG Code, non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. A Non-executive Director and an Independent Non-executive Director of the Company were absent from the 2012 AGM due to the overseas commitments.

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

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

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

AUDIT COMMITTEE

The Audit Committee, comprising three 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 unaudited condensed consolidated financial statements and results for the six months ended 30 June 2012, including the accounting principles and practices adopted by the Group. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN INFORMATION OF DIRECTOR

Mr. Ip Chun Chung, Robert, the Independent Non-executive Director of the Company, was the proprietor of Messrs. Robert C. C. Ip & Co. with effect from 12 June 2012.

COMPETING INTERESTS

Mr. Chau King Fai, Philip, the Executive Director of the Company, was appointed as a non-executive director of Pizu Group Holdings Limited (formerly known as "China Electric Power Technology Holdings Limited") ("Pizu Group"). As Pizu Group conducts the money lending business, the Directors of the Company believe that there is a potential risk that such business might compete with the business of the Group.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises 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; one Non-executive Director, namely Ms. Wang Ying; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin.