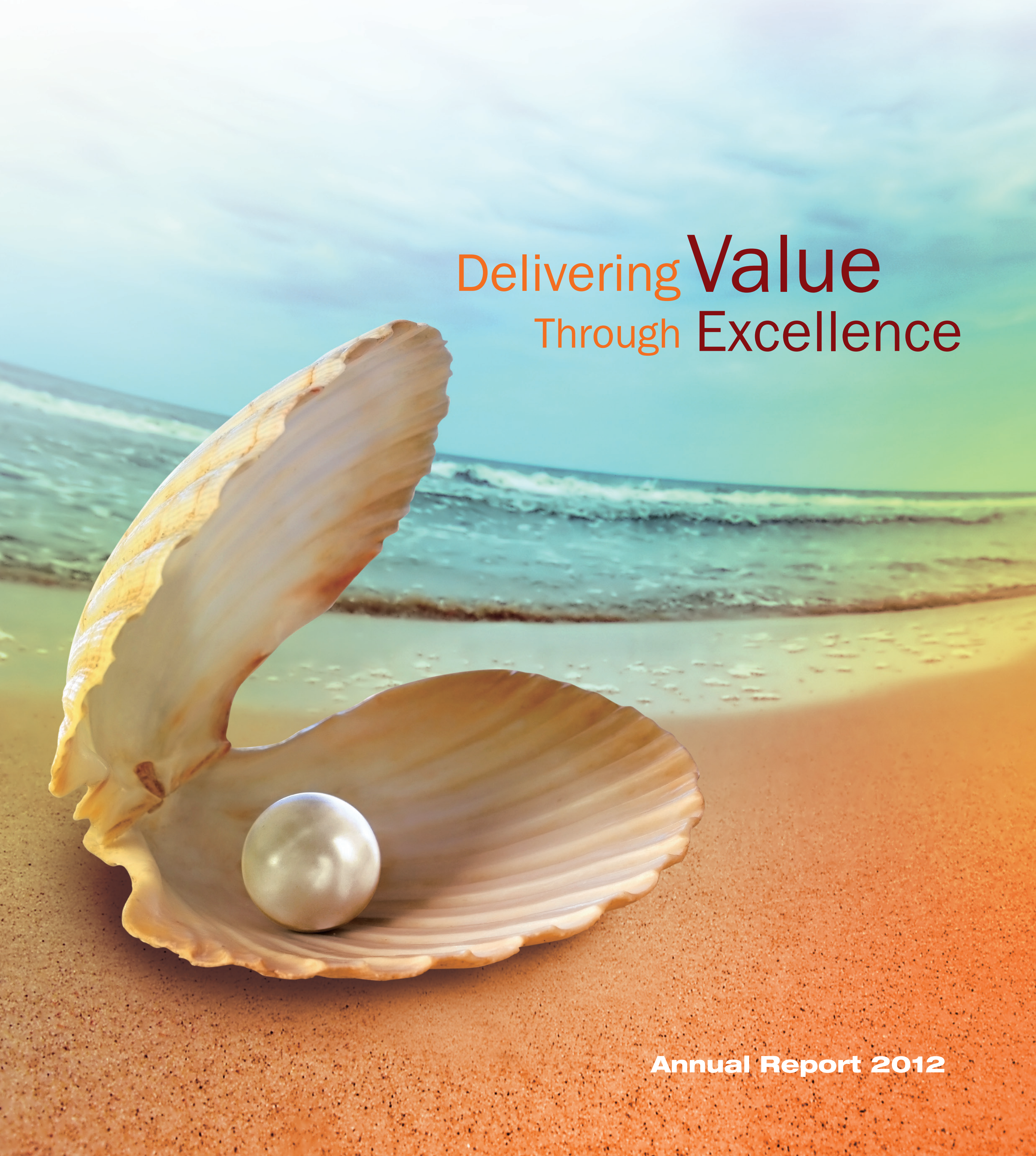
VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821

www.vcgroup.com.hk



Delivering Value Through Excellence

Annual Report 2012

Corporate Information

Executive 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)*
Mr. ZHOU Wentao
Mr. TIN Ka Pak, Timmy

Independent Non-executive Directors

Mr. LAM Kwok Hing, Wilfred
Mr. IP Chun Chung, Robert
Mr. WONG Chung Kin, Quentin

Executive Committee

Mr. HA Shu Tong
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
Ms. SO Wai Yee, Betty
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, Daphne

Company Secretary

Ms. WONG Yee Wah, Daphne

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
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 821

Company Homepage/Website

http://www.vcgroup.com.hk

This Annual Report is printed on
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Contents

CEO'S STATEMENT

2012 was still a very challenging year with uncertainties in the global financial markets, China and Hong Kong stock markets and our Group.

The aftershocks from the financial tsunami continued to ripple through 2012. The changes of leadership in major countries like China and US last year pointed to potential changes in the fiscal policies of these governments. This contributed to greater uncertainties in the global financial and investment markets, which dampened the investment sentiment and investment climate continuously in 2012. This also extended to the global initial public offering activities and the merger and acquisition transactions. Hong Kong, being an international financial center, was inevitably affected by the murky macro environment. The local stock market remained highly volatile through the first three quarters of 2012.

Fortunately, the leadership changes in China and US turned out to be smooth and stable, which ensured the relative stability of China's and US's monetary and fiscal policies. Meanwhile, many Eurozone countries resolved to offer assistance to Spain and Greece over the debt crisis. All these served as positive stimulus to the global investment markets, which improved and stabilized in the fourth quarter of 2012. This was echoed with the continuous new listings and public offerings on the Hong Kong stock market starting from the fourth quarter, which showed the initial recovery of the market sentiment.

Despite the total market capitalization of Hong Kong stock market increased by about 25% from HK$17,537 billion as at 31 December 2011 to HK$21,950 billion as at 31 December 2012, the average daily trading turnover of 2012 was dropped from HK$69.7 billion of 2011 to HK$53.9 billion of 2012, representing an about 23% drop. VC Group, as a financial services provider in Hong Kong, the business performance could not escape from being impacted for the year of 2012.

Looking forward, the Group expects 2013 to be still 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. Despite that, in the coming year, the Hong Kong investment market is expected to head towards brighter prospects with the support from the Mainland market. It will create a more conducive business environment for the Group's brokerage and corporate financing businesses, which are set for cautiously optimistic prospects.

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. I also take this opportunity to thank our management team and staff for their hard work and dedication during the year, as they share the Group's mission in taking our business to greater heights in the days to come. We will continue to apply our excellent operational capabilities to serve customers, to pursue business diversification and acquisition, to strive for innovation and to ensure that we will be able to reap benefits when the market rebounds stably. I believe that with the Group's diversified financial services, our professional management team, and the extensive support from our business partners, the Group will be able to seize any opportunities that promise to deliver greater returns for our shareholders.

Ha Shu Tong
Chief Executive Officer and Executive Director

Hong Kong
21 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited (the "Company") 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 (the Company and its subsidiaries, also known as "VC Group") 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

Throughout the year, the world's major financial markets were facing various uncertainties. Following the financial tsunami that erupted in late 2008, a number of governments initiated substantial quantitative easing and other monetary and fiscal measures; as a result, many economies avoided recession continuously and recovered gradually.

These measures helped stabilize the capital markets, stimulate domestic demand and encourage global economic growth for a while. However, the aftershocks from the financial tsunami still rippled through 2012, a year that was overshadowed by different challenges and uncertainties – the looming fiscal cliff for the US in the second half of 2012; the escalation of the European debt crisis, especially for Spain and Greece; and the potential slowdown of emerging markets, among others. All this dampened the investment climate.

In 2012, China's economic growth hit a slowdown because of weak foreign demand and stagnant domestic demand. During the year, the European debt crisis eased while the US economy slowed; it put considerable strain on China's external trade and the country's economic growth abated. In addition, there were elections and leadership changes in major countries like China, US, France and even in Hong Kong last year, which pointed to potential changes in the fiscal policies of these governments. This contributed to greater uncertainties in the global financial and investment markets amid the aftershocks from the financial tsunami. The global stock markets remained highly volatile, which dampened the investment sentiment and investment climate continuously. This extended to the global initial public offering activities and the merger and acquisition transactions, especially in the Asia-Pacific region. In the light of the continued deterioration of market conditions and unexpected excessive market volatility, many companies postponed or shelved their proceeding with new listings or public offerings.

Fortunately, while investor confidence was dented by political uncertainties, the leadership change in China and US turned out to be smooth and stable. The successful transitions ensured the relative stability of China's and US's monetary and fiscal policies. Further, many Eurozone countries resolved to offer assistance to Spain and Greece over the debt crisis. The European Central Bank pledged to buy unlimited quantities of government bonds of troubled Eurozone members. Meanwhile, the US housing market showed a steady recovery. These changes served as positive stimulus to the global investment markets, which improved and stabilized in the fourth quarter of 2012.

Further, while quantitative easing measures were launched in the external economic environment, there was a steady inflow of hot money into the Asian-Pacific region in the fourth quarter of 2012. This was conducive to the stock markets in the region, with many recording considerable growth for the year.

As an international financial center, Hong Kong was inevitably affected by the murky macro environment. The local stock market in 2012 was still volatile, especially in the first three quarters of 2012, and the gloomy market sentiment was manifested by the stagnancy in the Hong Kong daily trading turnover, market capitalization and other various market indices. Fortunately, starting from the fourth quarter, there were continuous new listings and public offerings on the Hong Kong stock market and there was a steady inflow of hot money into the Hong Kong market. They received strong market responses as most of the initial public offerings were over-subscribed, along with growing news about mergers and acquisitions, propelling it to a 16-month high when the market closed at the end of December 2012. This shows an initial recovery of the market sentiment, and reaffirms Hong Kong as a regional center for capital formation and market leader.

As at 31 December 2012, the Hang Seng Index closed at 22,656 which was about 23% higher than that of 18,434 at the end of 2011, and the Hang Seng China Enterprises Index closed at 11,436 as at 31 December 2012, which was about 15% higher than that of 9,936 as at 31 December 2011. Meanwhile, the total market capitalization had also increased by about 25% from approximately HK$17,537 billion as at 31 December 2011 to HK$21,950 billion as at 31 December 2012.

However, despite the upswing of these market indices throughout the year, the Hong Kong stock market's average daily trading turnover had dropped significantly in 2012, which showed that the market sentiment was yet to pick up despite the market's gradual recovery. All this points to volatility in the market in the coming year as well. The average daily trading turnover of 2012 decreased to approximately HK$53.9 billion from HK$69.7 billion for the same period in 2011, representing a drop of about 23%. Further, the figure marked a fall in the second half of 2012, dropping by about 10% from approximately HK$56.7 billion in the first half of the year to HK$51.1 billion in the second half. This revealed that the market sentiment of local investors in 2012 was still greatly suppressed by the market uncertainties.

This was also reflected in the total fund raising in Hong Kong (including initial public offerings) of HK$304.2 billion in 2012, a decrease of about 38% when compared with HK$490.4 billion in 2011, in which the fund raising from the initial public offerings was HK$89.8 billion in 2012, a decrease of about 65% when compared with HK$259.8 billion in 2011. When further compared to the local market indices as at 31 December 2012, say the Hang Seng Index, the Hang Seng China Enterprises Index and the total market capitalization, with that of the years before the pre-financial tsunami, it was noted that the investors' sentiment were still greatly impacted.

Being a financial services provider, the business performance of the Group in 2012 definitely continued to be affected by the global and local economic and market conditions. Fortunately, 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 year ended 31 December 2012 please refer to the section "FINANCIAL REVIEW" below.

OUTLOOK

Looking ahead, the Group expects 2013 to be still challenging for the financial sector. The European debt crisis is a major global economic problem that will continue to cast a gloom over investment market if it remains unresolved and not handled properly. It is expected to cause continued volatility for the market and dampen the market sentiment.

Considering the close economic ties between Hong Kong and the Mainland, the current 12th Five-Year Plan of China delivered in 2011 aims at promoting closer economic partnership arrangements and regional economic development, consolidating Hong Kong's position as an international financial center, and further strengthening the collaboration between Hong Kong, Macau and the Mainland. And the development of Qian Hai financial zone will bring new business opportunities to financial sectors. With the further opening of China's finance industry, more qualified China enterprises are expected to become listed on the Hong Kong stock market or to look for targets of merger and acquisitions. All these will bring new stimulus to the Hong Kong stock market. We see that Hong Kong is still poised to benefit from China's relatively optimistic economic prospects.

In the coming year, the Hong Kong investment market is expected to head towards brighter prospects with the support from the Mainland market. It will create a more conducive business environment for the Group's brokerage and corporate financing businesses, which are set for cautiously optimistic prospects.

The Group will continue to apply our excellent operational capabilities to serve customers, to pursue business diversification and acquisition, to strive for innovation and to ensure that we will be able to reap benefits when the market rebounds stably.

LONG-TERM BUSINESS STRATEGY

The Group's core businesses and objectives remain focused on securities, futures and options brokering (including local and overseas securities dealing, securities borrowing and lending and short selling, futures and options trading, derivatives and other structured products trading, margin financing, placement and underwriting, etc.), corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, as well as asset management.

The Group has established an excellent reputation over the years. The Group's business model is backed by an extensive business network, quality services that cater to clients' needs, fair and competitive fees, and a proactive and professional team that is dedicated to innovation and exploration of new markets to yield business returns for the Group's shareholders.

Throughout the year of 2012, the Group did not make any significant changes to its business strategy. Amid market volatility, the Group maintained its competitive edge through providing diversified financial services, with the support of its professional management team and business partners. The Group will continue to seize any opportunities that promise to deliver greater returns for its shareholders.

FINANCIAL REVIEW

Affected by dampened investment sentiment and investment climate as aforementioned in the section "BUSINESS REVIEW" above, the Group's consolidated revenue was approximately HK$65.2 million for the year ended 31 December 2012, which had decreased by about 30% as compared with the same period in 2011. The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$37.2 million for the year ended 31 December 2012 against a consolidated loss of approximately HK$26.7 million for the same period in 2011.

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	
	2012	2011
	HK$'000	*HK$'000*
Segmental results:		
Brokerage	**(7,520)**	903
Corporate Finance	**(11,358)**	(6,903)
Asset Management	**(563)**	(1,611)
Group operating loss	**(19,441)**	(7,611)
Unallocated costs	**(16,763)**	(18,842)
Impairment loss on available-for-sale investment	**(150)**	(241)
Loss before taxation	**(36,354)**	(26,694)
Income tax expense	**(1,216)**	(550)
Loss for the year	**(37,570)**	(27,244)
Non-controlling interests	**327**	584
Loss for the year attributable to shareholders of the Company	**(37,243)**	(26,660)

Brokerage

For the year ended 31 December 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$59.9 million, representing a decrease of about 27% from HK$81.7 million for the same period last year. The drop in brokerage revenue was mainly due to the significant decrease in interest income from financing business to approximately HK$19.5 million for the year ended 31 December 2012 from HK$31.7 million for the same period last year, representing a significant drop of about 38%. This was mainly attributable to the decrease of our average loan portfolio by about 35% to HK$249.6 million for the year ended 31 December 2012 from approximately HK$386.4 million for the same period last year, resulting in the substantial decrease in revenue from interest income. Nevertheless, our loan portfolio had increased gradually to HK$281.2 million by the end of 2012 when the Hong Kong stock market improved and stabilized in the fourth quarter of 2012. Besides, 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 year ended 31 December 2012, the Group had made an additional impairment of HK$1.1 million (2011: HK$4.8 million) 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 and other related fee from dealing in securities and futures and options contracts had also decreased to approximately HK$35.6 million for the year ended 31 December 2012 from approximately HK$44 million for the same period last year, representing a decrease of about 19%, which reflected the poor market sentiment of the Hong Kong stock market and revealed the continuous drop in its average daily trading turnover in 2012 as mentioned in the section "BUSINESS REVIEW" above. Net brokerage commission income was relatively decreased by about 23% from approximately HK$16.9 million to HK$13 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. For the year ended 31 December 2012, the same as other revenue streams, the Group's placing and underwriting commission generated had also decreased to approximately HK$4.8 million (2011: HK$5.9 million) due to the slowdown in the pace of both the primary and secondary market financing activities affected by the volatile global economy. Nevertheless, the Group will continue to put efforts to capture the opportunities towards the 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 year ended 31 December 2012 was significantly worse than that of last year. For the year ended 31 December 2012, the operating loss before and after taxation generated from the brokerage business was approximately HK$7.5 million (2011: profit before and after taxation of approximately HK$0.9 million and HK$0.5 million respectively).

Corporate Finance

During the year ended 31 December 2012, VC Capital Limited ("VC Capital"), an indirect wholly owned subsidiary of the Company, had been appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions and even actively involved in helping some clients as sponsor to seek for new listings on both the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Growth Enterprise Market of the Stock Exchange.

For the year ended 31 December 2012, the Group's corporate financial advisory and related businesses recorded a revenue totaling approximately HK$5.3 million (2011: HK$11.2 million), and generated an operating loss before and after taxation of approximately HK$11.4 million (2011: loss before and after taxation of approximately HK$6.9 million and HK$7.1 million respectively). Its business performance for the year ended 31 December 2012 was much 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 new listings and other public offerings plans and even some merger and acquisition transactions have also been on hold since the second half of 2011 and even in 2012. As such, the operating performance of the corporate finance business had adversely affected in 2012.

Nevertheless, as aforementioned, there were more new listings and public offerings kick-off from the fourth quarter of 2012 in the Hong Kong stock market. It is still expected that the Group can capture the growing business opportunities from the more favourable market conditions after the full 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. In the past few years, it is confirmed that the economic recovery continues to gain some momentum after the financial tsunami, however, it is still in the early stage of recovery and the global economic growth remains fragile, which make the development of our asset management business more difficult and competitive.

For the year ended 31 December 2012, the Group's asset management business, mainly through VC Asset Management Limited (an indirect wholly owned subsidiary of the Company) recorded an operating loss before and after taxation of approximately HK$0.6 million (2011: HK$1.6 million), which mainly representing the general operating expenses incurred for such business.

Unallocated Costs

For the year ended 31 December 2012, the unallocated costs of the Group was approximately HK$16.8 million as compared to approximately HK$18.8 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.

Finance Costs

During the year ended 31 December 2012, the finance costs of the Group was approximately HK$0.9 million (2011: HK$0.9 million), in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage business.

Income Tax Expense

During the year ended 31 December 2012, the estimated income tax expense of the Group amounted to approximately HK$1.2 million (2011: HK$0.6 million). No provision for Hong Kong Profits Tax had been made as there was no assessable profits during the year ended 31 December 2012 (2011: HK$0.4 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 Group's brokerage business. The provision of approximately HK$1.2 million for the PRC Enterprise Income Tax in the current year had been made by the PRC subsidiary as it was probable that the waiver of intercompany balance by another group entity will be subject to the tax.

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 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 were put in time deposits, saving deposits and current accounts as at 31 December 2012.

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

As at 31 December 2012, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$531.1 million (2011: HK$559.1 million), HK$263.4 million (2011: HK$321 million) and HK$538.9 million (2011: HK$568.7 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 6.8 as at 31 December 2012 (2011: 9.5).

As at 31 December 2012, the total number of issued ordinary shares of the Company was 405,924,829 at HK$0.10 each (2011: 399,736,829 shares of HK$0.10 each). The increase of 6,188,000 shares during the year ended 31 December 2012 was due to the exercise of share options by the Directors 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. Each Warrant carried the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 and could be exercised at any time during a period of 12 months commencing from the date of issue of the Warrants. No Warrants had been exercised during the exercise period, i.e. from 14 July 2011 to 13 July 2012. The Warrants had been 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 (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 31 December 2012 (2011: HK$80 million).

Gearing Ratio

As at 31 December 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 (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 year ended 31 December 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 31 December 2012, the Group had a total of 101 employees (2011: 119), of whom all are located in Hong Kong (2011: 108 and 11 were located in Hong Kong and China respectively). The decrease in the headcount in 2012 was mainly attributable to the close down of the Shenzhen office in July 2012 so as to reduce the operational costs. The Group has adopted an alternative plan to explore the business opportunities in China since then.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$47.4 million and HK$19.7 million respectively for the year ended 31 December 2012 (2011: HK$56.2 million and HK$24.3 million respectively). The former one included equity-settled share-based payments of approximately HK$3.2 million for the year ended 31 December 2012 (2011: HK$3.8 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 8 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 2012, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in note 28 to the consolidated financial statements.

Future Plans for Material Investments or Capital Assets

As at 31 December 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 31 December 2012, the Group did not have any significant commitments contracted but not provided for in the consolidated financial statements in respect of purchase of property and equipment (31 December 2011: Nil).

On 17 October 2012, the Company entered into a non-legally binding memorandum of understanding ("MOU") with a potential subscriber in relation to a proposed subscription of new shares in the capital of the Company (the "Proposed Share Subscription"), in which the MOU was subject to (i) completion of due diligence on the Group's business operations and financial position to the satisfaction of the potential subscriber; and (ii) the execution of definitive agreements for the Proposed Share Subscription between the Company and the potential subscriber. The potential subscriber may become the new controlling shareholder of the Company if the transaction was completed. The MOU had expired on 15 January 2013. As additional time was required for, among other things, completing the due diligence works and negotiating the terms for definitive agreement(s) for the Proposed Share Subscription by the parties, the Company and the potential subscriber had entered into a supplemental MOU (the "Supplemental MOU") on 15 January 2013 to extend the validity period of the MOU for 45 days from the date of the Supplemental MOU. However, due to no definitive terms had been agreed and no legally binding agreement had been entered into between the Company and the potential subscriber in relation to the Proposed Share Subscription, the MOU and the Supplemental MOU had lapsed and terminated on 1 March 2013.

Contingent Liabilities

As at 31 December 2012, the Company had given financial guarantees of HK$130 million (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 31 December 2012, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (2011: HK$40 million).

Biographical Details of Directors and Senior Management

DIRECTORS

HA Shu Tong

Chief Executive Officer & Executive Director

Mr. Ha, aged 64, joined the Group as Executive Director in September 2011. Currently, Mr. Ha is the Chief Executive Officer, the chairman of the Executive Committee and a director of certain subsidiaries 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 of Hong Kong Limited (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.

CHAU King Fai, Philip

Executive Director

Mr. Chau, aged 51, 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 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 was a non-executive director of Pizu Group Holdings Limited (formerly known as "China Electric Power Technology Holdings Limited") (Stock Code: 8053) for the period from 6 September 2011 to 13 December 2012, 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.

CHENG Tze Kit, Larry

Chief Investment Officer & Executive Director

Mr. Cheng, aged 56, 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 certain subsidiaries of the Company.

Mr. Cheng has over 22 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.

Biographical Details of Directors and Senior Management

SO Wai Yee, Betty

Chief Financial Officer & Executive Director

Ms. So, aged 31, 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.

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.

ZHOU Wentao

Executive Director

Mr. Zhou, aged 41, 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 the 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）.

TIN Ka Pak, Timmy

Executive Director

Mr. Tin, aged 36, joined the Group as Executive Director in July 2011. Currently, he is a member of the Executive Committee and a director of certain subsidiaries 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.

Biographical Details of Directors and Senior Management

LAM Kwok Hing, Wilfred

Independent Non-executive Director

Mr. Lam, aged 53, 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. 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. 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. 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.

IP Chun Chung, Robert

Independent Non-executive Director

Mr. Ip, aged 56, 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 proprietor of Messrs. Robert C.C. Ip & Co. and the consultant with Messrs. Cheng, Yeung & Co., Solicitors. He is also the non-executive director and audit committee member of Poly Property Group Co., Limited (formerly known as "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 30 years of experience in legal aspects and more than 14 years experience in listing related and corporate, takeover, mergers and acquisition areas.

WONG Chung Kin, Quentin

Independent Non-executive Director

Mr. Wong, aged 41, joined the Group as Independent Non-executive Director in March 2012. Mr. Wong is the chairman of the Audit Committee and a member of the 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, the chairman of the audit committee and a member of the remuneration committee 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 8 years of practicing experience.

SENIOR MANAGEMENT

NG Man Hoi, Paul

Chief Operating Officer

Mr. Ng, aged 55, possesses over 27 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.

FUNG Wai Har, Amanda

Finance Director

Ms. Fung, aged 41, 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 18 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.

Biographical Details of Directors and Senior Management

WONG Man Hin, Charles

Managing Director of VC Brokerage Limited

Mr. Wong, aged 48, 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 26 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.

LAM Yuk Ying, Elsa

Director of VC Asset Management Limited

Ms. Lam, aged 52, joined the Group in February 2010. Currently, she is a director of VC Asset Management Limited, a 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. She was an Executive Director of the Company for the period from 23 February 2011 to 27 December 2012. Prior to joining the Group, 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.

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (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 (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 PRINCIPLES AND PRACTICES

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 order to promote the development of a high level of corporate governance among the listed issuers, the Stock Exchange amended the HKSE Code and the revised code, namely Corporate Governance Code (the "CG Code") came into effect on 1 April 2012. The Company also amended its Company Code to in line with the standard of the CG Code. The updated Company Code is posted on the Company's website under the section "Corporate Governance".

The Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code as well as the CG Code and ultimately ensuring high transparency and accountability to the Company's shareholders.

COMPLIANCE OF THE CODE PROVISIONS OF THE COMPANY CODE, HKSE CODE AND CG CODE

The Company has complied with all provisions in the Company Code throughout the financial year ended 31 December 2012, the HKSE Code for the period from 1 January 2012 to 31 March 2012 and the CG Code for the period from 1 April 2012 to 31 December 2012 with the deviations mentioned below:

i. Code Provision A.2.1

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, has taken up the roles and functions of the Chairman until new Chairman is on Board.

ii. Code Provision A.4.1

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 ("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 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.

iii. Code Provision A.6.7

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. Mr. Lam Kwok Hing, Wilfred, an Independent Non-executive Director of the Company was absent from the 2012 AGM due to the overseas commitments. Ms. Wang Ying, a former Non-executive Director of the Company, who resigned on 28 December 2012 and Mr. Lam Ka Wai, Graham, a former Independent Non-executive Director of the Company, who retired on the 2012 AGM, were absent from the 2012 AGM due to overseas commitments and other business engagement respectively.

THE BOARD OF DIRECTORS

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. Each Director has a duty to act in good faith in the interests of the Company.

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".

i. Board Composition

The Board currently comprises a total of nine Directors, with six 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), Mr. Zhou Wentao and Mr. Tin Ka Pak, Timmy; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin.

Under 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 of the Company. As such, Mr. Chau King Fai, Philip, Ms. So Wai Yee, Betty, Mr. Zhou Wentao and Mr. Lam Kwok Hing, Wilfred will retire at the forthcoming annual general meeting (the "2013 AGM") and being eligible to offer themselves for re-election. However, due to other business engagements which require more his attention, Mr. Lam Kwok Hing, Wilfred does not seek for re-election. Accordingly, Mr. Chau King Fai, Philip, Ms. So Wai Yee, Betty and Mr. Zhou Wentao would offer themselves for re-election at the 2013 AGM.

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.

ii. Independence of Independent Non-executive Directors

The 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 Group. 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 of the Company has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2012. 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 in 2012.

iii. 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 2012.

The Board has also 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.

iv. Directors' Financial Update/Continuous Training and Development Programme

Directors of the Company are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. Meanwhile, all Directors are continually updated with legal and regulatory developments to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of his/her functions and exercise of his/her powers as directors.

During the year ended 31 December 2012, the Company funded the Directors to join the Director Training Series 2012 held by The Chamber of Hong Kong Listed Companies. Mr. Ha Shu Tong, Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty, Mr. Tin Ka Pak, Timmy, Mr. Lam Kwok Hing, Wilfred, Mr. Wong Chung Kin, Quentin and Ms. Lam Yuk Ying, Elsa (resigned on 28 December 2012) have participated in different sessions of the Director Training Series 2012.

v. Directors' Insurance

The Company has arranged appropriate directors' and officers' liability insurance ("D&O Insurance") coverage on directors' and senior management's liabilities in respect of legal actions against them arising out of corporate activities of the Company. The D&O insurance will be reviewed and renewed annually.

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. At least 14 days 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. Agenda accompanying board papers are sent to all Directors at least 3 days before each regular board meeting. 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.

The Chief Financial Officer and the Company Secretary of the Company 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.

During the year ended 31 December 2012, the Board had held a total of eight meetings. The details of the attendance record of each member of the Board for 2012 are provided thereinafter.

PROCEDURES 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 2012.

DELEGATION BY THE BOARD

i. 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.

ii. 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, namely, executive committee, audit committee, remuneration committee, nomination committee, finance committee and regulatory compliance committee. These committees 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 are available on the Company's website under the section "Corporate Governance".

EXECUTIVE COMMITTEE

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Ha Shu Tong (Chairman), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty, 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. Meanwhile, it is also responsible to develop, review and monitor the Group's corporate governance policies and practices. It holds meetings from time to time to discuss operational matters of the Company's business and new projects. Other details of the roles and functions of the Executive Committee are available on the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Company's Audit Committee was established on 14 March 2001. The Audit Committee is made up of the Company's Independent Non-executive Directors, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Lam Kwok Hing, Wilfred and Mr. Ip Chun Chung, Robert. Mr. Wong Chung Kin, Quentin is a fellow member of Hong Kong Institute of Certified Public Accountants. He has 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".

REMUNERATION COMMITTEE

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Lam Kwok Hing, Wilfred (Chairman), 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 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 roles and functions of the Remuneration Committee are available on the Company's website under the section "Corporate Governance".

i. 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 incentive 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).

ii. 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 ended 31 December 2012, the Remuneration Committee has considered, reviewed and approved bonus payments and salary increases for employees of the Group and the long-term equity granted to the Directors and senior management of the Group.

NOMINATION COMMITTEE

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

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. Other details of the roles and functions of the Nomination Committee are available on the Company's website under the section "Corporate Governance".

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 the Company's senior management (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. Other details of the roles and functions of the Finance Committee are available on the Company's website under the section "Corporate Governance".

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 the Company's senior management, 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. Other details of the roles and functions of the Regulatory Compliance Committee are available on the Company's website under the section "Corporate Governance".

ATTENDANCE RECORD AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING

Attendance record of Directors and Committee Members in 2012

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2012 AGM
Current Directors					
Ha Shu Tong*	8/8	–	–	–	1/1
Chau King Fai, Philip*	8/8	–	–	1/1	1/1
Cheng Tze Kit, Larry*	6/8	–	–	–	1/1
So Wai Yee, Betty*	7/8	–	–	–	1/1
Zhou Wentao*	5/8	–	–	–	0/1
Tin Ka Pak, Timmy*	8/8	–	–	–	1/1
Lam Kwok Hing, Wilfred^	8/8	2/2	1/1	1/1	0/1
Ip Chun Chung, Robert^	7/7	2/2	1/1	1/1	0/1
Wong Chung Kin, Quentin^	7/7	2/2	1/1	1/1	1/1
Directors who resigned/retired in 2012					
Lee Jun Sing#1	2/2	–	–	–	1/1
Lam Yuk Ying, Elsa*2	8/8	–	–	–	1/1
Wang Ying#2	5/8	–	–	–	0/1
Tse On Kin^3	–	–	–	–	–
Lam Ka Wai, Graham^1	1/2	1/1	–	–	0/1

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

Notes:

1. Dr. Lee Jun Sing and Mr. Lam Ka Wai, Graham retired on the 2012 AGM.

2. Ms. Lam Yuk Ying, Elsa and Ms. Wang Ying resigned on 28 December 2012.

3. Mr. Tse On Kin resigned on 11 January 2012.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation of the consolidated financial statements. The Company's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditor are set out on page 44 of this annual report.

INTERNAL CONTROL

i. Responsibility

The Board has the responsibility to ensure a sound system of internal control and risk management is established and maintained, which 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.

ii. 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.

iii. 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 which approved the annual results of the Group. The Internal Audit Manager 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 Audit Manager reports all significant internal control and risk management matters to the Audit Committee; and monitors the management resolution status.

iv. 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 the Company's senior management, Internal Audit Manager 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 Audit Manager, 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 2012, 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.

AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since 2005. For the year ended 31 December 2012, approximately HK1,001,000 was charged for audit services, which included approximately HK$997,000 for the audit of the Group by Deloitte Touche Tohmatsu, and approximately HK$4,000 for the audit of the Company's PRC subsidiary by a PRC auditor (included as auditors' remuneration in note 12 to the consolidated financial statements). The former included the fee of HK$930,000 for the audit of the consolidated financial statements of the Group for the year ended 31 December 2012, HK$20,000 for the review of the preliminary announcement of results of the Group for the year ended 31 December 2012 and approximately HK$2,000 for the audit of a subsidiary's provident fund scheme for 2012 (which were all included as auditors' remuneration in note 12 to the consolidated financial statements) and also the disbursements of HK$45,000 incurred for the audit of the Group for the year ended 31 December 2011.

In addition, approximately HK$582,000 was charged for non-audit services by Deloitte Touche Tohmatsu, which included the provision of taxation services amounting to approximately HK$117,000 and the ad hoc financial and tax due diligence work performed in respect of a potential transaction amounting to HK$465,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Board and is responsible for advising the Board on governance matter. The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the value of providing current and quality information to its shareholders, both individual and institutional. As such, the Company has adopted a shareholder's communication policy to ensure an effective ongoing dialogue with the shareholders. Details of the Shareholder's Communication Policy are available on the Company's website under the section "Corporate Governance".

Further, the Company regards the annual general meeting ("AGM") an important event as it provides an opportunity for the Board to communicate with the shareholders. Notice of AGM and related papers are sent to the shareholders at least 20 clear business days before the meeting. The Company supports the CG 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, which 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.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2012.

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 2012, together with the audited comparative figures for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 25 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

No interim dividend was paid to the shareholders during the year (2011: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

PROPERTY AND EQUIPMENT

Details of the movements in property 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 24 and 27 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, the Company's reserves available for distribution to shareholders amounted to approximately HK$59,584,000 (2011: HK$46,567,000).

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$735,000 (2011: HK$726,000).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements is set out on page 106 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 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2012.

DIRECTORS

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

Directors up to the date of this report

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)*
Mr. ZHOU Wentao*
Mr. TIN Ka Pak, Timmy*
Mr. LAM Kwok Hing, Wilfred^
Mr. IP Chun Chung, Robert^ (Appointed on 5 March 2012)
Mr. WONG Chung Kin, Quentin^ (Appointed on 5 March 2012)

Directors who retired/resigned during the year 2012

Dr. LEE Jun Sing# *(Non-executive Chairman)* (Retired on 24 May 2012)
Ms. LAM Yuk Ying, Elsa* (Resigned on 28 December 2012)
Ms. WANG Ying# (Resigned on 28 December 2012)
Mr. LAM Ka Wai, Graham^ (Retired on 24 May 2012)
Mr. TSE On Kin^ (Resigned on 11 January 2012)

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

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 to retire every year shall be those who have been longest in office since their last election. In accordance with this provision, Mr. Chau King Fai, Philip, Ms. So Wai Yee, Betty, Mr. Zhou Wentao and Mr. Lam Kwok Hing, Wilfred shall retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. However, due to other business engagements which require more his attention, Mr. Lam Kwok Hing, Wilfred does not seek for re-election. Accordingly, Mr. Chau King Fai, Philip, Ms. So Wai Yee, Betty and Mr. Zhou Wentao would offer themselves for re-election at the annual general meeting of the Company to be held on 30 May 2013.

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 14 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ha Shu Tong, 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, a wholly owned subsidiary of the Company, 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 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, 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 31 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 persons of the Group. Details of the schemes and the movements of the share options and awarded shares granted to the Directors of the Company, 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 share award schemes, and the warrants disclosed in notes 27 and 26(2) respectively to the consolidated financial statements, at no time during the year was the Company or any of its 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 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 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
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)*	2.17%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	0.12%

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

Name of Director	Number of share options: Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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)	–	–	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
	–	750,000	–	–	750,000	0.18%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,000,000	750,000	–	(2,000,000)	1,750,000	0.43%			

	Number of share options								
Name of Director	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price
									HK$
Mr. Cheng Tze Kit, Larry	300,000	–	–	(300,000)	–	–	26 November 2009	26 November 2009 – 25 November 2012	2.07
	1,700,000	–	–	–	1,700,000	0.41%	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
	–	1,000,000	–	–	1,000,000	0.25%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,000,000	1,000,000	–	(300,000)	3,700,000	0.91%			
Ms. So Wai Yee, Betty	300,000	–	–	(300,000)	–	–	26 November 2009	26 November 2009 – 25 November 2012	2.07
	1,700,000	–	–	–	1,700,000	0.41%	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
	–	750,000	–	–	750,000	0.18%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,000,000	750,000	–	(300,000)	3,450,000	0.84%			
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
	–	1,000,000	–	–	1,000,000	0.25%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	1,000,000	1,000,000	(1,000,000)	–	1,000,000	0.25%			

Directors' Report

Name of Director	Number of share options: Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price
									HK$
Mr. Lam Kowk 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)	–	–	–	6 June 2012	6 June 2012 – 5 June 2015	1.04
Total	**11,500,000**	**8,500,000**	**(2,000,000)**	**(2,600,000)**	**15,400,000**	**3.79%**			

Notes:

1. As at 31 December 2012, the total number of issued ordinary shares of the Company was 405,924,829.

2. 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.

3. During the year, no share options mentioned above were cancelled.

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

5. 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 2012, 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 2012, 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 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 at 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

Name	**Capacity**	**Number of issued ordinary shares held**	**Approximate % of issued share capital**	*Notes*
Mr. Hu Guoen	Beneficial owner	24,480,000	6.03%	–
Eternity Sky Limited	Held by controlled corporations	33,904,000	8.35%	2
China Investment Fund Company Limited	Held by controlled corporations	33,904,000	8.35%	2

Notes:

1. As at 31 December 2012, the total number of issued ordinary shares of the Company was 405,924,829.

2. Eternity Sky Limited was deemed to be interested in 33,904,000 ordinary shares of the Company as its wholly owned subsidiaries, namely Perpetual Wealth Holdings Limited, Wildfire Sensation Limited, Super Summit Investments Limited and Time Magic Limited held an aggregate of 33,904,000 ordinary shares, which representing approximately 8.35% of the total issued share capital of the Company. China Investment Fund Company Limited, which held the entire issued share capital of Eternity Sky Limited, was also deemed to be interested in 33,904,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 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 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 2012, options to subscribe for an aggregate of 24,872,000 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 2012 under the GEM Share Option Scheme are as follows:

	Number of share options								
Category of participant	Outstanding at 1 January 2012	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012	Date of grant	Share options duration	Exercise price
									HK$
Directors	491,057	(491,057)	–	–	–	–	9 July 2002	9 July 2002 – 8 July 2012	1.00
Employees	4,942	–	–	–	(4,942)	–	9 July 2002	9 July 2002 – 8 July 2012	1.00
Other eligible persons	344,140	491,057	–	–	(835,197)	–	9 July 2002	9 July 2002 – 8 July 2012	1.00
Other eligible persons	100,000	–	–	–	–	100,000	25 March 2004	25 March 2004 – 24 March 2014	0.64
Sub-total	444,140	491,057	–	–	(835,197)	100,000			
Total	**940,139**	**–**	**–**	**–**	**(840,139)**	**100,000**			

Note:

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 2012 under the 2009 Share Option Scheme are as follows:

	Number of share options								
Category of participant	**Outstanding at 1 January 2012**	**Reclassified during the year**	**Granted during the year**	**Exercised during the year**	**Lapsed/ forfeited during the year**	**Outstanding at 31 December 2012**	**Date of grant**	**Share options duration**	**Exercise price**
									HK$
Directors	3,100,000	(500,000)	–	–	(2,600,000)	–	26 November 2009	26 November 2009 – 25 November 2012	2.07
Directors	3,400,000	–	–	–	–	3,400,000	18 January 2010	18 January 2010 – 17 January 2013	1.84
Directors	8,500,000	(2,000,000)	–	(2,000,000)	(500,000)	4,000,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Directors	–	–	5,000,000	(500,000)	–	4,500,000	6 June 2012	6 June 2012 – 5 June 2015	1.04
Directors	–	(500,000)	4,000,000	–	–	3,500,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	15,000,000	(3,000,000)	9,000,000	(2,500,000)	(3,100,000)	15,400,000			
Employees	5,512,000	–	–	–	(5,512,000)	–	26 November 2009	26 November 2009 – 25 November 2012	2.07
Employees	9,100,000	1,000,000	–	(3,188,000)	(40,000)	6,872,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Employees	–	500,000	1,000,000	–	–	1,500,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	14,612,000	1,500,000	1,000,000	(3,188,000)	(5,552,000)	8,372,000			
Other eligible persons	4,700,000	500,000	–	–	(5,200,000)	–	26 November 2009	26 November 2009 – 25 November 2012	2.07
Other eligible persons	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)	(5,200,000)	1,000,000			
Total	**34,812,000**	**–**	**10,000,000**	**(6,188,000)**	**(13,852,000)**	**24,772,000**			

Note:

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

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 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.

(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 2012, 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 revenue attributable to the Group's five largest customers taken together was less than 30% of the Group's total revenue for the year ended 31 December 2012.

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 2012 are disclosed in note 31 to the consolidated financial statements.

None of the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" given in Chapter 14A of the Listing Rules.

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 audited consolidated financial statements and results for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group. The Audit Committee is satisfied that the audited 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 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors 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 2012.

AUDITOR

The financial statements of the Company for the year ended 31 December 2012 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
21 March 2013

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 46 to 105, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, 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 2012 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
21 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Revenue	7	**65,172**	92,865
Other income	7	**2,104**	608
Staff costs	8	**(67,098)**	(80,466)
Commission expenses		**(4,287)**	(3,668)
Depreciation of property and equipment	17	**(1,576)**	(1,960)
Finance costs	10	**(896)**	(856)
Other operating expenses		**(27,689)**	(27,788)
Other losses	11	**(2,084)**	(5,429)
Loss before taxation		**(36,354)**	(26,694)
Income tax expense	13	**(1,216)**	(550)
Loss for the year	12	**(37,570)**	(27,244)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(2)**	13
Total comprehensive income for the year		**(37,572)**	(27,231)
Loss for the year attributable to:			
Owners of the Company		**(37,243)**	(26,660)
Non-controlling interests		**(327)**	(584)
		(37,570)	(27,244)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(37,245)**	(26,647)
Non-controlling interests		**(327)**	(584)
		(37,572)	(27,231)
Loss per share (HK cents)			
Basic	15	**(9.21)**	(6.67)
Diluted	15	**(9.21)**	(6.67)

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Trading rights	16	**–**	–
Property and equipment	17	**1,778**	3,563
Statutory deposits		**3,023**	2,988
Other intangible assets	18	**1,547**	1,547
Available-for-sale investment	19	**109**	259
Rental and utility deposits		**1,403**	2,432
		7,860	10,789
Current assets			
Accounts receivable	20	**314,080**	258,283
Prepayments, deposits and other receivables	21	**4,094**	3,658
Tax recoverable		**402**	2,165
Pledged bank deposits	21	**40,000**	40,000
Bank balances and cash	21	**263,387**	321,018
		621,963	625,124
Current liabilities			
Accounts payable	22	**37,673**	19,365
Accrued liabilities and other payables		**12,006**	6,526
Taxation payable		**1,224**	114
Short-term bank borrowings	23	**40,000**	40,000
		90,903	66,005
Net current assets		**531,060**	559,119
Total assets less current liabilities		**538,920**	569,908

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	24	**40,592**	39,974
Reserves		**498,328**	528,755
Equity attributable to owners of the Company		**538,920**	568,729
Non-controlling interests		**–**	1,179
Total equity		**538,920**	569,908

The consolidated financial statements on pages 46 to 105 were approved and authorised for issue by the Board of Directors on 21 March 2013 and are signed on its behalf by:

Ha Shu Tong
DIRECTOR

So Wai Yee, Betty
DIRECTOR

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	25	**37,939**	25,104
Amounts due from subsidiaries	25	**430,828**	424,228
		468,767	449,332
Current assets			
Prepayments, deposits and other receivables	21	**169**	164
Amounts due from subsidiaries	25	**51,944**	46,527
Bank balances	21	**31,778**	52,227
		83,891	98,918
Current liabilities			
Accrued liabilities and other payables		**2,005**	1,161
Amounts due to subsidiaries	25	**11,979**	13,820
		13,984	14,981
Net current assets		**69,907**	83,937
Total assets less current liabilities		**538,674**	533,269
Capital and reserves			
Share capital	24	**40,592**	39,974
Reserves	26	**498,082**	493,295
Total equity		**538,674**	533,269

Ha Shu Tong
DIRECTOR

So Wai Yee, Betty
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 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$'000 (Note 2)	Warrant reserve HK$'000 (Note 3)	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	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
Loss for the year	–	–	–	–	(37,243)	–	–	–	(37,243)	(327)	(37,570)
Other comprehensive income for the year	–	–	–	(2)	–	–	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	(2)	(37,243)	–	–	–	(37,245)	(327)	(37,572)
Difference arising on change in interest in subsidiaries	–	–	–	–	–	–	(748)	–	(748)	(852)	(1,600)
Exercise of share options	618	4,418	–	–	–	–	–	–	5,036	–	5,036
Transfer of share option reserve upon exercise of share options	–	1,349	–	–	–	(1,349)	–	–	–	–	–
Reversal of share option reserve upon forfeiture/lapse of share options	–	–	–	–	12,112	(12,112)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	3,152	–	–	3,152	–	3,152
Shares issue expenses	–	(4)	–	–	–	–	–	–	(4)	–	(4)
Reversal of warrants reserve upon lapse of warrants	–	–	–	–	3,684	–	–	(3,684)	–	–	–
At 31 December 2012	40,592	432,827	123,758	(931)	(64,653)	8,094	(767)	–	538,920	–	538,920

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 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 ("VC Financial Gp", a direct wholly owned subsidiary of the Company), 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 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 Gp. 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 Gp had completed the acquisition of the remaining equity 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 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 when the warrants were issued. These warrants expired on 13 July 2012. The amount previously recognised in Warrant Reserve had been transferred to accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Loss before taxation	**(36,354)**	(26,694)
Adjustments for		
Impairment loss on doubtful receivables, net	**1,144**	5,189
Interest income	**(1,882)**	(597)
Finance costs	**896**	856
Depreciation of property and equipment	**1,576**	1,960
Loss on disposal/write-off of property and equipment	**818**	33
Recognition of equity-settled share-based payment	**3,152**	3,813
Impairment loss on available-for-sale investment	**150**	241
	(30,500)	(15,199)
Movements in working capital		
(Increase) decrease in accounts receivable	**(56,941)**	278,937
Decrease (increase) in prepayments, deposits and other receivables	**202**	(605)
Decrease (increase) in rental and utility deposits	**253**	(269)
Increase (decrease) in accounts payable	**18,308**	(45,981)
Increase (decrease) in accrued liabilities and other payables	**5,476**	(6,902)
Decrease in amounts due to jointly controlled entities	**–**	(1,378)
Cash (used in) generated from operations	**(63,202)**	208,603
Interest paid	**(892)**	(858)
Interest received	**2,019**	403
Income taxes paid	**(117)**	(3,044)
Income tax refunded	**1,774**	–
Net cash (used in) generated from operating activities	**(60,418)**	205,104
Cash flows from investing activities		
Purchase of property and equipment	**(659)**	(2,049)
Purchase of other intangible assets	**–**	(1,000)
Purchase of available-for-sale investment	**–**	(500)
Repayment of loan to a jointly controlled entity	**–**	219
Proceeds from disposal of property and equipment	**47**	2
Payment of statutory deposits	**(96)**	(128)
Refund of statutory deposits	**61**	199
Net cash used in investing activities	**(647)**	(3,257)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Cash flows from financing activities		
Proceeds from exercise of share options	**5,036**	–
Payment for acquisition of additional equity interest in subsidiaries	**(1,600)**	–
Proceeds from issue of warrants	**–**	3,995
Warrants issue expenses	**–**	(311)
Shares issue expenses	**(4)**	–
Net cash generated from financing activities	**3,432**	3,684
Net (decrease) increase in cash and cash equivalents	**(57,633)**	205,531
Cash and cash equivalents at the beginning of year	**321,018**	115,478
Effect of exchange rate changes on the balance of cash held in foreign currencies	**2**	9
Cash and cash equivalents at the end of year, represented by bank balances and cash	**263,387**	321,018

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 amendments to the Hong Kong Financial Reporting Standards ("amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2012 financial year.

The application of the amendments to 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 HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for amendments HKAS 1[2]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[3]
Amendments to HKAS 1	Presentation of items of other comprehensive income[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]

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

HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 19 (as revised 2011)	Employee benefits[2]
HKAS 27 (as revised 2011)	Separate financial statements[2]
HKAS 28 (as revised 2011)	Investments in associates and joint ventures[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual period beginning on 1 January 2014, with retrospective application required.

The Directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain accounts receivable and accounts payable.

HKFRS 9 Financial instruments

HKFRS 9 "Financial instruments" 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.

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

HKFRS 9 Financial instruments – continued

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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 reporting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

The Directors of the Company are still in the process of assessing the impact of the adoption of the HKFRS 9 on the Group's consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

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.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries (including deemed capital contribution) are stated at cost less accumulated impairment losses. The results of subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Property and equipment

Property 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 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 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 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.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued
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.

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 and amounts due from subsidiaries, 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, after exhausting all collection efforts such as realisation of collateral, or institution of other legal means as appropriate, 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 financial liabilities

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

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.

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 its transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, 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, 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.

Share options granted on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the share options are exercised, and no charge is recognised in profit or loss in respect of the value of share options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Share options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 a 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 a 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 2012, no deferred tax asset (2011: Nil) in relation to the estimated unused tax losses of approximately HK$200,146,000 (2011: HK$181,169,000) and estimated deductible temporary difference of approximately HK$1,059,000 (2011: HK$484,000) were 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.

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 2012, the carrying amount of accounts receivable is approximately HK$314,080,000 (2011: HK$258,283,000) and an impairment loss of HK$1,144,000 (2011: HK$5,189,000) has been recognised 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.

5. CAPITAL RISK MANAGEMENT – continued

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**620,316**	620,333	**514,552**	522,986
Available-for-sale investment	**109**	259	**–**	–
Financial liabilities				
Amortised cost	**87,889**	65,891	**13,984**	14,981

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, accounts receivable, deposits and other receivables, pledged bank deposits, bank balances and cash, accounts payable, other payables and short-term bank borrowings. Details of these financial instruments are disclosed in their respective notes. The Company's major financial instruments include deposits and other receivables, amounts due from/to subsidiaries, bank balances 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 Group for the year.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to accounts receivables from cash clients, margin clients and brokers, pledged bank deposits and short-term bank borrowings (see Notes 20, 21 and 23). 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 cash flow interest rate risks is mainly relating to the fluctuation of HIBOR or best lending rate arising from the Group's interest bearing financial instruments.

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 (2011: 10 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

	2012		2011	
	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	**248**	**(248)**	192	(192)

No sensitivity analysis has been presented for the Company as the financial instruments of the Company are not subject to significant cash flow interest rate risk.

Fair value interest rate risk and other price risk

As at 31 December 2012 and 31 December 2011, the Group and the Company are not exposed to significant fair value interest rate risk and other price risk.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

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.

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 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 29. The Company has concentration of credit risk on the amounts due from subsidiaries. The credit risk on these balances is considered not material as the major balance are with subsidiaries with strong liquidity position. The credit risk relating to 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 2012 and 31 December 2011. 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 interest 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 2012, the Group has available unutilised banking facilities of HK$90,000,000 (2011: 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 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 2012						
Non-derivative financial liabilities						
Accounts payable	–	37,673	–	–	37,673	37,673
Other payables	–	9,519	600	97	10,216	10,216
Short-term bank borrowings	2.16	40,005	–	–	40,005	40,000
		87,197	600	97	87,894	87,889

	Weighted average 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
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

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table – continued

THE COMPANY

	Weighted average 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 2012						
Non-derivative financial liabilities						
Other payables	**–**	**1,881**	**107**	**17**	**2,005**	**2,005**
Amounts due to subsidiaries	**–**	**11,979**	**–**	**–**	**11,979**	**11,979**
Financial guarantee contract *(Note)*	**–**	**130,000**	**–**	**–**	**130,000**	**–**
		143,860	**107**	**17**	**143,984**	**13,984**

	Weighted average 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						
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

Note: The amount included above for the financial guarantee contract is the maximum amount the Company could be required to settle in relation to the financial guarantee provided by the Company as disclosed in Note 29 if the full guaranteed 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 than not that no amount will be payable under the financial guarantee contract. 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 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.

	2012 ***HK$'000***	2011 *HK$'000*
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**35,580**	44,040
Underwriting, sub-underwriting, placing and sub-placing commission	**4,767**	5,857
Arrangement, management, advisory and other fee income	**5,294**	11,250
Interest income from clients	**19,531**	31,718
	65,172	92,865
Other income		
Interest income	**1,882**	597
Sundry income	**222**	11
	2,104	608
Total income	**67,276**	93,473

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 2012 and 2011.

Year ended 31 December 2012

	Brokerage *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	59,918	5,254	–	65,172	–	65,172
Inter-segment sales	–	20	–	20	(20)	–
	59,918	5,274	–	65,192	(20)	65,172
Segment loss	(7,520)	(11,358)	(563)	(19,441)	–	(19,441)
Elimination of intra-group costs						12,315
Central administrative costs						(29,078)
Impairment loss on available-for-sale investment						(150)
Loss before taxation for the year						(36,354)

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2012 – 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	**(1,644)**	**(37)**	**(54)**	**(1,735)**	**(147)**	**(1,882)**
Staff costs	**36,010**	**9,540**	**139**	**45,689**	**21,409**	**67,098**
Commission expenses	**4,287**	**–**	**–**	**4,287**	**–**	**4,287**
Depreciation of property and equipment	**848**	**186**	**5**	**1,039**	**537**	**1,576**
Impairment loss on doubtful receivables, net	**1,108**	**36**	**–**	**1,144**	**–**	**1,144**
Finance costs	**896**	**90**	**–**	**986**	**(90)**	**896**
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	**(12)**	**4**	**–**	**(8)**	**1,224**	**1,216**

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 and equipment	1,310	161	5	1,476	484	1,960
Impairment loss on 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

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. In addition, during the year ended 31 December 2012, the Group provided a tax expense of approximately HK$1,224,000 in respect of an intra-group transaction.

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 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.

In both 2012 and 2011, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue from external customers are mainly derived from Hong Kong during the years. Almost all of its non-current assets 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)

	2012	2011
	HK$'000	*HK$'000*
Staff commission	**19,741**	24,263
Salaries and wages	**39,109**	39,324
Staff welfare	**1,904**	1,799
Recruitment costs	**3**	419
Termination benefits	**400**	74
(Reversal) provision of long service payment/annual leave benefits	**(135)**	82
Retirement benefits scheme contributions	**1,134**	1,173
Recognition of equity-settled share-based payment	**3,152**	3,813
Discretionary and performance related incentive payments	**1,790**	9,519
	67,098	80,466

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes 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 further 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. Effective from June 2012, the cap of contribution amount has been changed from HK$1,000 to HK$1,250 per employee per month.

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', SENIOR MANAGEMENT'S 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:

	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Recognition of equity-settled share-based payment	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
Lee Jun Sing *(Note 2)*	46	–	–	–	46
Ha Shu Tong	–	1,701	14	1,202	2,917
Chau King Fai, Philip	–	2,179	14	247	2,440
Cheng Tze Kit, Larry	–	2,143	14	330	2,487
So Wai Yee, Betty	–	1,441	14	247	1,702
Lam Yuk Ying, Elsa *(Note 3)*	–	992	14	165	1,171
Zhou Wentao	–	986	–	–	986
Tin Ka Pak, Timmy	–	986	14	330	1,330
Wang Ying *(Note 4)*	118	–	–	–	118
Lam Kwok Hing, Wilfred	216	–	–	–	216
Ip Chun Chung, Robert *(Note 5)*	178	–	–	150	328
Wong Chung Kin, Quentin *(Note 6)*	178	–	–	150	328
Lam Ka Wai, Graham *(Note 7)*	85	–	–	–	85
Tse On Kin *(Note 8)*	6	–	–	–	6
	827	10,428	84	2,821	14,160

9. DIRECTORS', SENIOR MANAGEMENT'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(a) Directors' emoluments – continued

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Recognition of equity-settled share-based payment HK$'000	Discretionary and performance related incentive payments HK$'000 (Note 1)	Total emoluments HK$'000
2011						
Lee Jun Sing	80	–	–	105	7	192
Ha Shu Tong	–	501	4	–	46	551
Chau King Fai, Philip	–	2,122	12	211	169	2,514
Cheng Tze Kit, Larry	–	2,094	12	211	169	2,486
So Wai Yee, Betty	–	1,395	12	211	116	1,734
Lam Yuk Ying, Elsa	–	817	10	211	80	1,118
Zhou Wentao	–	817	–	211	68	1,096
Tin Ka Pak, Timmy	–	472	6	211	40	729
Lam Cho Ying, Terence Joe *(Note 9)*	–	2,378	10	105	5,000	7,493
Wang Ying	80	–	–	105	7	192
Lam Kwok Hing, Wilfred	178	–	–	105	15	298
Lam Ka Wai, Graham	178	–	–	105	15	298
Tse On Kin	178	–	–	105	15	298
	694	10,596	66	1,896	5,747	18,999

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) Dr. Lee Jun Sing retired as the Non-executive Director and ceased to be the Chairman of the Company on 24 May 2012.

(3) Ms. Lam Yuk Ying, Elsa resigned as the Executive Director of the Company with effect from 28 December 2012.

(4) Ms. Wang Ying resigned as the Non-executive Director of the Company with effect from 28 December 2012.

(5) Mr. Ip Chun Chung, Robert was appointed as the Independent Non-executive Director of the Company with effect from 5 March 2012.

9. DIRECTORS', SENIOR MANAGEMENT'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(a) Directors' emoluments – continued

Notes: – continued

(6) Mr. Wong Chung Kin, Quentin was appointed as the Independent Non-executive Director of the Company with effect from 5 March 2012.

(7) Mr. Lam Ka Wai, Graham retired as the Independent Non-executive Director of the Company on 24 May 2012.

(8) Mr. Tse On Kin resigned as the Independent Non-executive Director of the Company with effect from 11 January 2012.

(9) Mr. Lam Cho Ying, Terence Joe resigned as the Non-executive Director of the Company with effect from 1 November 2011.

Mr. Ha Shu Tong is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

For the year ended 31 December 2012, a total number of 9,000,000 (2011: 9,000,000) share options were granted to the Directors of the Company to subscribe for ordinary shares of the Company in respect of their services provided to the Group. Further details of which are set out in Note 27.

For the years ended 31 December 2012 and 2011, no 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 27.

(b) Senior management's emoluments

The emoluments of the individuals of senior management fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**2**	2

The senior management represents key management personnel of the Group, other than Directors of the Company whose emoluments are included in Note 9(a) above. The emoluments of the key management personnel are included in Note 31.

9. DIRECTORS', SENIOR MANAGEMENT'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2011: three) were Directors of the Company whose emoluments are included in Note 9(a) above. The emoluments of the remaining two individuals (2011: two) were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**3,947**	3,823
Retirement benefits scheme contributions	**28**	24
Recognition of equity-settled share-based payment	**247**	422
Discretionary and performance related incentive payments	**–**	320
	4,222	4,589

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

	Number of individuals	
	2012	2011
Emolument band		
HK$2,000,001 – HK$2,500,000	**2**	2

During the years ended 31 December 2012 and 31 December 2011, 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

	2012 HK$'000	2011 HK$'000
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**896**	856

11. OTHER LOSSES

	2012 HK$'000	2011 HK$'000
Impairment loss on doubtful receivables, net	**1,144**	5,189
Impairment loss on available-for-sale investment	**150**	241
Loss on disposal/write-off of property and equipment	**818**	33
Net exchange gain	**(28)**	(34)
	2,084	5,429

12. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging:		
Included in other operating expenses:		
Auditors' remuneration	**956**	956
Operating leases in respect of land and buildings	**8,463**	9,239

13. INCOME TAX EXPENSE

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

	2012 HK$'000	2011 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	402
PRC Enterprise Income Tax	**1,224**	148
Under(over)provision in respect of prior year		
Hong Kong Profits Tax	**(12)**	–
PRC Enterprise Income Tax	**4**	–
	1,216	550

13. INCOME TAX EXPENSE – continued

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2011. The People's Republic of China (the "PRC") subsidiary is subject to the PRC Enterprise Income Tax at 25% for both years.

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

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(36,354)**	(26,694)
Calculated at Hong Kong Profits Tax rate of 16.5%	**(5,998)**	(4,404)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**395**	98
Tax effect of income not taxable for tax purpose	**(263)**	(164)
Tax effect of expenses not deductible for tax purpose	**928**	713
Overprovision in respect of prior year	**(8)**	–
Tax effect of deductible temporary difference previously not recognised	**95**	95
Utilisation of previously unrecognised tax losses	**–**	(159)
Tax effect of tax losses not recognised	**4,549**	3,705
Others *(Note)*	**1,518**	666
Tax charge for the year	**1,216**	550

Note: During the year ended 31 December 2012, tax expense of approximately HK$1,224,000 was provided by the PRC subsidiary as it was probable that the waiver of intercompany balance by another group entity will be subject to the PRC Enterprise Income Tax.

At 31 December 2012, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$1,059,000 and HK$200,146,000 respectively (31 December 2011: HK$484,000 and HK$181,169,000). During the year, unused tax losses of approximately HK$8,587,000 expired as they were attributable to certain subsidiaries that were dissolved or under the process of deregistration.

No deferred tax asset has been recognised as at 31 December 2012 and 31 December 2011 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 are subject to further approval of the Hong Kong Inland Revenue Department.

14. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31 December 2012 (2011: Nil).

15. 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:

	2012	2011
	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)	**(37,243)**	(26,660)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**404,331**	399,737

The diluted loss per share for 2012 is computed excluding the effects of share options as the exercise of the Company's share options are anti-dilutive. The diluted loss per share for 2011 is computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

16. TRADING RIGHTS

	HK$'000
Cost	
At 1 January 2011, 1 January 2012 and 31 December 2012	5,066
Amortisation	
At 1 January 2011, 1 January 2012 and 31 December 2012	5,066
Carrying value	
At 31 December 2011 and 31 December 2012	–

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).

17. PROPERTY AND EQUIPMENT

	THE GROUP				
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2011	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
Additions	11	49	137	462	659
Written off/disposal	(944)	(390)	(556)	–	(1,890)
Exchange difference	(4)	(1)	(1)	–	(6)
At 31 December 2012	4,477	5,974	7,906	462	18,819
Depreciation					
At 1 January 2011	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
Charge for the year	186	380	979	31	1,576
Written off/disposal	(270)	(236)	(519)	–	(1,025)
Exchange difference	(2)	(1)	–	–	(3)
At 31 December 2012	4,469	5,596	6,945	31	17,041
Carrying values					
At 31 December 2012	8	378	961	431	1,778
At 31 December 2011	859	863	1,841	–	3,563

The above items of property 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	$33^1/_3$%
Motor vehicle	20%

18. OTHER INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 January 2011	1,839
Addition	1,000
At 31 December 2011 and 31 December 2012	2,839
Accumulated impairment	
At 1 January 2011, 1 January 2012 and 31 December 2012	1,292
Carrying value	
At 31 December 2011 and 31 December 2012	1,547

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 years.

19. AVAILABLE-FOR-SALE INVESTMENT

	HK$'000
Cost	
At 1 January 2011, 1 January 2012 and 31 December 2012	500
Accumulated impairment	
At 1 January 2011	–
Impairment loss recognised for the year	241
At 31 December 2011	241
Impairment loss recognised for the year	150
At 31 December 2012	391
Carrying value	
At 31 December 2012	109
At 31 December 2011	259
Analysed for reporting purpose as non-current assets	
At 31 December 2012	109
At 31 December 2011	259

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.

20. ACCOUNTS RECEIVABLE

	2012	2011
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house and brokers *(Note a)*	**20,551**	17,960
Cash clients *(Note b)*	**25,358**	9,823
Margin clients *(Note c)*	**268,126**	230,036
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory services *(Note d)*	**45**	464
	314,080	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 Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously.

The credit quality of accounts receivable are summarised as follows:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**308,137**	246,545
Past due but not impaired *(Note e)*	**3,103**	2,263
Impaired	**7,483**	14,939
	318,723	263,747
Less: Allowance for impairment *(Note f)*	**(4,643)**	(5,464)
	314,080	258,283

The management is satisfied with the credit quality of the accounts receivable that are neither past due nor impaired, and the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

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. In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category as these accounts have no specific due date.

20. ACCOUNTS RECEIVABLE – continued

In respect of the 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:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**42,838**	25,722
31 – 90 days	**520**	563
Over 90 days	**2,551**	1,498
	45,909	27,783

Notes:

(a) Accounts receivable due from brokers bear interest at commercial rates.

(b) As at 31 December 2012, accounts receivable due from cash clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$385,769,000 (2011: HK$299,456,000) in relation to the receivables of approximately HK$25,363,000 (2011: HK$9,822,000) that are not impaired; and a fair value of approximately HK$31,000 (2011: HK$74,000) in relation to the receivables of approximately HK$107,000 (2011: HK$147,000) that are impaired.

No such 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' receivables which are past due bear interest at commercial rates.

(c) As at 31 December 2012, accounts receivable due from margin clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$852,785,000 (2011: HK$593,685,000) in relation to the receivables of approximately HK$265,281,000 (2011: HK$220,562,000) that are not impaired. The fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts. Accounts receivable due from margin clients of approximately HK$7,340,000 (2011: HK$14,403,000) are impaired and are not secured by any pledged listed securities as at 31 December 2012 (2011: Fair value of the clients' pledged securities amounted to approximately HK$9,361,000).

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 the 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' receivables are repayable on demand and bear interest at commercial rates.

20. ACCOUNTS RECEIVABLE – continued

Notes: – continued

(d) As at 31 December 2012, the receivables include an amount of approximately HK$36,000 (2011: HK$389,000) that is impaired and has been fully provided for impairment loss. The settlement terms of accounts receivable arising from the ordinary course of business of provision of corporate financial advisory 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:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**45**	261
31 – 90 days	**–**	103
Over 90 days	**–**	100
	45	464

(e) Included in the "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 dates is as follows:

	2012	2011
	HK$'000	*HK$'000*
31 – 90 days	**520**	666
Over 90 days	**2,583**	1,597
	3,103	2,263

As at 31 December 2012, the receivables include cash clients' receivables of approximately HK$3,103,000 (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.

As at 31 December 2011, the remaining balance of accounts receivable of approximately HK$203,000 are receivables arising from the provision of corporate financial advisory services. The Group has not provided for any impairment loss as the clients are with good credit quality. The extent of delay of these repayments is considered normal in the corporate financial advisory industry.

20. ACCOUNTS RECEIVABLE – continued

Notes: – continued

(f) 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:

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,464**	1,275
Impairment loss recognised, net	**1,144**	5,189
Amounts written off as uncollectible	**(1,965)**	(1,000)
Balance at end of the year	**4,643**	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.

21. OTHER FINANCIAL ASSETS AND LIABILITIES

Deposits and other receivables (The Group and the Company)

The amounts 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.

Pledged bank deposits (The Group)

As at 31 December 2012, the Group has placed a bank deposit of HK$40,000,000 (2011: HK$40,000,000) at variable market interest rate of 0.80% (2011: 0.85%) per annum to a bank to secure banking facilities of HK$80,000,000 (2011: 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 (2011: HK$40,000,000).

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% (2011: 0.001% to 2.25%) 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 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 consolidated statement of financial position. As at 31 December 2012, the Group maintained segregated accounts at one clearing house of approximately HK$1,022,000 (2011: HK$3,260,000) and at other authorised institutions of approximately HK$265,106,000 (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 consolidated financial statements.

22. ACCOUNTS PAYABLE

	2012	2011
	HK$'000	HK$'000
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note)*:		
Clearing house	**3,123**	–
Cash clients	**28,861**	17,302
Margin clients	**5,669**	2,046
Accounts payable arising from the ordinary course of business of provision of corporate financial advisory services	**20**	17
	37,673	19,365

Note: 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 the fact that all these accounts payable are promptly settled two trading days after the trade date.

23. SHORT-TERM BANK BORROWINGS

	2012	2011
	HK$'000	HK$'000
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits (see Note 21) and bore an interest rate at HIBOR plus 2% per annum as at 31 December 2012 and 31 December 2011.

24. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each Number of shares	Amount
		HK$'000
At 1 January 2011, 1 January 2012 and 31 December 2012	**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 2011 and 1 January 2012	399,736,829	39,974
Exercise of share options	6,188,000	618
At 31 December 2012	**405,924,829**	**40,592**

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

	THE COMPANY 2012	2011
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**10**	10
Capital contribution *(Note)*	**37,929**	25,094
	37,939	25,104

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

Amounts due from subsidiaries (non-current):

As at 31 December 2012, the amounts include loan to a subsidiary by the Company of HK$3,000,000 (2011: HK$3,000,000) 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$427,828,000 (2011: HK$421,228,000) which is unsecured, interest free 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.

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

Amounts due from subsidiaries (current):

As at 31 December 2012, amounts due from subsidiaries are unsecured, interest free and repayable on demand. 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.

During the year ended 31 December 2012, the Company recognised an impairment loss of $10,000,000 (2011: Nil) on an amount due from a subsidiary. The impairment was made based on an assessment of the estimated future cash flows of the subsidiary discounted at original effective interest rate.

Movements in the allowance for amounts due from subsidiaries are as follows:

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**7,388**	7,388
Impairment loss recognised	**10,000**	–
Balance at end of the year	**17,388**	7,388

Amounts due to subsidiaries (current):

As at 31 December 2012, amounts due to subsidiaries are unsecured, interest free and repayable on demand.

25. 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 2012 and 2011:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held 2012	Effective interest held 2011
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 advisory services in Hong Kong	30,000,000 ordinary shares of HK$1 each	**100%**	90.10%
VC Asset Management Limited [2]	Hong Kong	Provision of asset management services to clients in Hong Kong	28,000,000 ordinary shares of HK$1each	**100%**	91.16%
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$1each	**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 and under liquidation process.

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.

26. RESERVES

THE COMPANY

	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Accumulated losses HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000 (Note 2)	Total HK$'000
At 1 January 2011	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
Loss for the year representing total comprehensive income for the year	–	–	(2,779)	–	–	(2,779)
Exercise of share options	4,418	–	–	–	–	4,418
Transfer of share option reserve upon exercise of share options	1,349	–	–	(1,349)	–	–
Reversal of share option reserve upon forfeiture/lapse of share options	–	–	12,112	(12,112)	–	–
Recognition of equity-settled share-based payment	–	–	–	3,152	–	3,152
Shares issue expenses	(4)	–	–	–	–	(4)
Reversal of warrant reserve upon lapse of warrants	–	–	3,684	–	(3,684)	–
At 31 December 2012	430,404	123,758	(64,174)	8,094	–	498,082

26. RESERVES – continued

Notes:

(1) 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.

(2) 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 when the warrants were issued. These warrants expired on 13 July 2012. The amount previously recognised in Warrant Reserve had been transferred to accumulated losses.

27. 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.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

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 2012, share options to subscribe for an aggregate of 24,872,000 underlying shares were outstanding, which in total represents approximately 6.13% (2011: 8.94%) 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, 10 October 2011, 6 June 2012 and 24 September 2012 were HK$0.65, HK$0.64, HK$2.14, HK$1.73, HK$0.76, HK$0.99 and HK$1.10 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, between 10 October 2011 to 9 October 2014, between 6 June 2012 to 5 June 2015 and between 24 September 2012 to 23 September 2015. The vesting period of the share options granted on 9 July 2002 and 25 March 2004 are from the date of grant up to the date immediately after the expiry of six months from the date of grant. The share options granted on 26 November 2009, 18 January 2010, 10 October 2011, 6 June 2012 and 24 September 2012 are vested immediately. Any share options granted shall normally lapse upon the expiration of 3 months after the relevant grantee ceases to be an employee of the Group. Furthermore, the Board has the discretion to amend the terms of the Schemes.

27. 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 2012

			Number of share options					
Categories of grantees	Grant date	Exercise price per share	Balance as at 1 January 2012	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance as at 31 December 2012
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	491,057	–	–	(835,197)	–
			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	3,100,000	(500,000)	–	–	(2,600,000)	–
Employees	26 November 2009	HK$2.07	5,512,000	–	–	–	(5,512,000)	–
Other eligible persons	26 November 2009	HK$2.07	4,700,000	500,000	–	–	(5,200,000)	–
			13,312,000	–	–	–	(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	8,500,000	(2,000,000)	–	(2,000,000)	(500,000)	4,000,000
Employees	10 October 2011	HK$0.794	9,100,000	1,000,000	–	(3,188,000)	(40,000)	6,872,000
Other eligible persons	10 October 2011	HK$0.794	500,000	1,000,000	–	(500,000)	–	1,000,000
			18,100,000	–	–	(5,688,000)	(540,000)	11,872,000
Directors of the Company	6 June 2012	HK$1.04	–	–	5,000,000	(500,000)	–	4,500,000
Directors of the Company	24 September 2012	HK$1.17	–	(500,000)	4,000,000	–	–	3,500,000
Employees	24 September 2012	HK$1.17	–	500,000	1,000,000	–	–	1,500,000
			–	–	5,000,000	–	–	5,000,000
Total			35,752,139	–	10,000,000	(6,188,000)	(14,692,139)	24,872,000
Exercisable as at 31 December 2012								24,872,000
Weighted average exercise price			HK$1.37	–	HK$1.11	HK$0.81	HK$1.96	HK$1.06

In respect of the share options exercised during the year ended 31 December 2012, the weighted average share price of the Company when the share options were exercised was HK$1.27.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

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

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

During the year ended 31 December 2012, share options to subscribe for 5,000,000 and 5,000,000 underlying shares were granted on 6 June 2012 and 24 September 2012 respectively under the 2009 Share Option Scheme, which were fully vested at the grant date. The estimated fair value of the share options granted on these dates was approximately HK$3,152,000 which was calculated using the Binomial option pricing model in accordance with valuation reports prepared by an independent valuer. The inputs into the model were as follows:

	Share options granted on 6 June 2012	Share options granted on 24 September 2012
No. of share options granted	5,000,000	5,000,000
Market price per share at date of grant	HK$0.99	HK$1.10
Exercise price per share option	HK$1.04	HK$1.17
Expected volatility	74.13%	71.82%
Dividend yield	0%	0%
Risk free rate	0.27%	0.27%

Expected volatility for the share options granted on 6 June 2012 and 24 September 2012 was determined by using the historical volatility of the Company's share price over the previous 3 years. The risk free rate was determined with reference to the yield of 3 years Hong Kong Exchange Fund Note as at 6 June 2012 and 24 September 2012 respectively.

The Group recognised the total expenses of approximately HK$3,152,000 for the year ended 31 December 2012 in relation to these 10,000,000 share options (2011: HK$3,813,000).

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 of the Company 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 of the Company (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.

27. 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 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 of the Company 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 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 years ended 31 December 2012 and 2011, there was no movement or outstanding awarded shares under the Share Purchase Scheme.

28. ACQUISITION OF THE REMAINING INTERESTS IN SUBSIDIARIES

On 6 June 2012, VC Financial Gp acquired the remaining equity 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.

29. FINANCIAL GUARANTEE

As disclosed in Note 6, as at 31 December 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 (2011: HK$130 million). As at 31 December 2012, HK$40 million banking facilities was utilised by VC Brokerage Limited (2011: HK$40 million). The fair value of the financial guarantee contracts is immaterial.

30. COMMITMENTS

(a) Capital commitments

As at 31 December 2012 and 31 December 2011, the Group and the Company did not have any material commitments contracted but not provided for in respect of purchase of property and equipment.

(b) Commitments under operating leases

As at 31 December 2012 and 31 December 2011, 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**3,537**	8,937
In the second to fifth years inclusive	**–**	3,405
	3,537	12,342

Operating lease payments represent rentals payable by the Group for certain of its office properties. Rentals are fixed for lease terms of 0.5 to 3 years (2011: 1.8 to 3 years).

As at 31 December 2012 and 31 December 2011, the Company did not have any other operating lease commitments.

31. RELATED PARTY TRANSACTIONS

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

	2012 HK$'000	2011 HK$'000
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**135**	355

The balances with related parties are set out on the statement of financial position of the Company and in Note 25.

Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Short term benefits	**16,328**	22,376
Share-based payments	**3,152**	2,423
Post employment benefits	**124**	102
Other long-term benefits	**6**	7
	19,610	24,908

The remuneration 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. Certain comparative figures in 2008-2011 have been reclassified to conform to the current year's presentation.

	For the year ended 31 December				
	2012	2011	2010	2009	2008
Consolidated results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**65,172**	92,865	115,629	135,734	129,672
Other income	**2,104**	608	463	912	6,686
Staff costs	**(67,098)**	(80,466)	(83,156)	(102,226)	(81,075)
Commission expenses	**(4,287)**	(3,668)	(6,257)	(6,915)	(4,890)
Depreciation of property and equipment	**(1,576)**	(1,960)	(2,063)	(2,053)	(2,670)
Amortisation of trading rights	**–**	–	(252)	(507)	(507)
Finance costs	**(896)**	(856)	(1,107)	(1,457)	(6,959)
Other operating expenses	**(27,689)**	(27,788)	(28,693)	(29,075)	(27,215)
Other losses	**(2,084)**	(5,429)	(79,834)	(12,597)	(4,078)
(Loss) profit before taxation	**(36,354)**	(26,694)	(85,270)	(18,184)	8,964
Income tax expense	**(1,216)**	(550)	(3,666)	(4,330)	(1,388)
(Loss) profit for the year	**(37,570)**	(27,244)	(88,936)	(22,514)	7,576
Other comprehensive income					
Exchange differences arising on translation of foreign operations	**(2)**	13	(88)	–	(317)
Total comprehensive income for the year	**(37,572)**	(27,231)	(89,024)	(22,514)	7,259
(Loss) profit for the year attributable to:					
Owners of the Company	**(37,243)**	(26,660)	(87,985)	(22,514)	7,576
Non-controlling interests	**(327)**	(584)	(951)	–	–
	(37,570)	(27,244)	(88,936)	(22,514)	7,576
Total comprehensive income for the year attributable to:					
Owners of the Company	**(37,245)**	(26,647)	(88,073)	(22,514)	7,259
Non-controlling interests	**(327)**	(584)	(951)	–	–
	(37,572)	(27,231)	(89,024)	(22,514)	7,259
(Loss) earnings per share (HK cents)					
Basic	**(9.21)**	(6.67)	(22.47)	(6.09)	2.05
Diluted	**(9.21)**	(6.67)	(22.47)	(6.09)	2.04

	As at 31 December				
	2012	2011	2010	2009	2008
Consolidated assets and liabilities	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**629,823**	635,913	710,234	690,136	689,157
Total liabilities	**(90,903)**	(66,005)	(120,592)	(81,700)	(77,009)
	538,920	569,908	589,642	608,436	612,148
Equity attributable to owners of the Company	**538,920**	568,729	588,100	608,436	612,148
Non-controlling interests	**–**	1,179	1,542	–	–
	538,920	569,908	589,642	608,436	612,148