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

Interim Report 2013

CORPORATE INFORMATION

Executive Directors
Mr. TIN Ka Pak, Timmy
(Chief Executive Officer)
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
(Chief Investment Officer)
Ms. SO Wai Yee, Betty
(Chief Financial Officer)

Independent Non-executive Directors
Mr. IP Chun Chung, Robert
Mr. WONG Chung Kin, Quentin
Mr. WONG Kam Choi, Kerry

Executive Committee
Mr. TIN Ka Pak, Timmy *(Chairman)*
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
Ms. SO Wai Yee, Betty
Mr. NG Man Hoi, Paul[Δ]
Mr. WONG Man Hin, Charles[Δ]
Ms. FUNG Wai Har, Amanda[Δ]

Δ non-voting co-opted member

Audit Committee
Mr. WONG Chung Kin, Quentin *(Chairman)*
Mr. IP Chun Chung, Robert
Mr. WONG Kam Choi, Kerry

Remuneration Committee
Mr. WONG Kam Choi, Kerry *(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. WONG Chung Kin, Quentin
Mr. WONG Kam Choi, Kerry

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

Δ 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
Wahchai, Hong Kong

Stock Code
The Stock Exchange of
Hong Kong Limited: 821

Company Website
http://www.vcgroup.com.hk

This Interim Report is printed on
environmentally friendly paper.

CONTENTS

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (the "Company") submits the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013, together with the unaudited comparative figures of the corresponding period in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Following the financial tsunami that erupted in late 2008, the world's major financial markets were facing various uncertainties to different extents. Starting from the fourth quarter of 2012, with certain quantitative easing measures continued to be launched in the global economic environment, there was a steady inflow of hot money into the markets of the Asian-Pacific region, which led to a positive impact to the growth of new listings and public offering activities as well as the merger and acquisition transactions. This had helped to improve and stabilize the global investment atmosphere for a while, however, the global economy was still lack of growth momentum to sustain the market recovery. In the second quarter of 2013, the global capital market continued to be sluggish and even suffered some setbacks, especially, when the chairman of the Federal Reserve of United States, Ben Bernanke, announced in June that the Federal Reserve had plans to taper down the quantitative easing measures and would start later this year. This resulted in significant waves in most Asian stock markets and they became highly volatile again.

As an international financial center, Hong Kong was inevitably affected by different challenges and uncertainties happened in the murky macro environment. The local stock market in the first half of 2013 was still volatile, and the gloomy market sentiment was manifested by the stagnancy in the Hong Kong daily trading turnover, market capitalization and other various market indices. Starting from the fourth quarter of 2012, there was a steady inflow of hot money into the Hong Kong market and there were continuous new listings and public offerings on the Hong Kong stock 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 of 22,656 when the market closed at the end of December 2012 and even further to a peak of 23,822 on 30 January 2013. This growth momentum had continued in early 2013. This was also reflected in the total fund raising in Hong Kong (including initial public offerings) of HK$133.6 billion in the first half of 2013, a slightly increase of about 4% when compared with HK$128.3 billion for the same period in 2012, in which the fund raising from the initial public offerings was HK$39.5 billion in the first half of 2013, an increase of about 28% when compared with HK$30.9 billion for the same period in 2012. This revealed that there were more listings and public offering kick-off on the Hong Kong stock market.

However, in the second quarter of 2013, the market had gone downhill in the face of flagging global financial conditions as aforementioned. As at 30 June 2013, the Hang Seng Index closed at 20,803, which was about 8% lower compared with 22,656 as at 31 December 2012, and the Hang Seng China Enterprises Index closed at 9,311 as at 30 June 2013, which was about 19% lower compared with 11,436 as at 31 December 2012. The total market capitalization had also decreased by about 6% from approximately HK$21,950 billion as at 31 December 2012 to HK$20,706 billion as at 30 June 2013.

Fortunately, despite the downswing of these market indices throughout the first half of 2013, the Hong Kong stock market's average daily trading turnover had increased significantly in this period as a whole. It had increased to approximately HK$68.3 billion during the first half of 2013 from HK$56.7 billion for the same period in 2012, which represented an increase of about 20%. This was mainly contributed by the strong boom in the first quarter of 2013, in which the average daily trading turnover was HK$74.4 billion. However, the average daily trading turnover in the second quarter of 2013 had decreased to approximately HK$62.3 billion, representing a drop of about 16%. This revealed that the market sentiment of local investors was still easily suppressed by the market uncertainties.

Being a financial services provider, our business performance in the first half of 2013 was definitely affected by both 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 which help us to continue to enhance our shareholders' value. The Group will endeavor to strive for better performance and prepare ourselves to pursue any precious business development opportunities.

For details of the financial results analysis of the Group for the six months ended 30 June 2013 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects the second half of 2013 will still be challenging for financial sector. The global economic conditions are expected to stay volatile, which will continue to cast a gloom over investment market to different extents unless those situations are resolved and handled properly. Moreover, the sustainability of China's economic growth in the current year has raised some concerns to the global economy.

Considering the close economic ties between Hong Kong and the Mainland, the Hong Kong investment market can still be headed towards brighter prospects with the support from the Mainland market. Hopefully, 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.

Financial Review

Under the sluggish investment sentiment and investment climate as aforementioned, the Group's consolidated revenue was approximately HK$32.7 million for the six months ended 30 June 2013, which was almost the same compared with the same period in 2012. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$13.2 million for the six months ended 30 June 2013 against a consolidated loss of approximately HK$24.3 million for the same period in 2012.

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segmental results:		
Brokerage and related businesses	**(1,681)**	(9,084)
Corporate Finance	**(2,762)**	(8,387)
Asset Management	**(1,235)**	(481)
Group operating loss	**(5,678)**	(17,952)
Unallocated costs	**(7,513)**	(6,605)
Impairment loss on available-for-sale investment	**(44)**	(103)
Loss before tax	**(13,235)**	(24,660)
Income tax expense	**–**	(4)
Loss for the period	**(13,235)**	(24,664)
Non-controlling interests	**–**	327
Loss for the period attributable to shareholders of the Company	**(13,235)**	(24,337)

Brokerage and Related Businesses

For the six months ended 30 June 2013, the Group provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services through VC Brokerage Limited and VC Futures Limited (both are the indirect wholly owned subsidiaries of the Company), and the money lending services through VC Finance Limited (also the indirect wholly owned subsidiary of the Company), which recorded revenue of approximately HK$30 million as compared to HK$30.6 million for the same period last year. Among the various revenue streams generated from the brokerage and related businesses, both the brokerage income and interest income from financing had increased during the six months ended 30 June 2013 as compared to the same period last year.

For the six months ended 30 June 2013, the Group's brokerage commission and other related fee from dealing in securities and futures and options contracts had increased to approximately HK$19.9 million from approximately HK$17.8 million for the same period last year, representing an increase of about 12%, which reflected that the Group's brokerage business keeps growing at the same pace, although to a lesser extent, with the Hong Kong stock market as mentioned in the section "Business Review" above.

For the six months ended 30 June 2013, the Group's interest income from financing had slightly increased to approximately HK$10 million from HK$9.8 million for the same period last year, representing an increase of about 2%. The Group's interest income from our brokerage clients remained stable, in which an amount of approximately HK$9.8 million was recorded for the six months ended 30 June 2013, which was close to that of the same period last year. Indeed, there was a slight increase of our average loan portfolio to our brokerage clients by about 3% to approximately HK$253.2 million for the six months ended 30 June 2013 from HK$245.8 million for the same period last year. Meanwhile, the slight increase in the Group's interest income was mainly attributable to the interest income generated from the provision of money lending services to our clients, in which an amount of approximately HK$0.2 million was recorded for the six months ended 30 June 2013. By end of the first half of 2013, the Group started to devote more resources into the provision of financing services which included the expansion of our money lending business. This helps broaden our revenue base by taking the advantage of the huge growth potential from the loan market and also offering our clients with more financial flexibility to meet their personal and business needs.

In view of the uncertain market conditions, the Group had strengthened the credit control policies and procedures in the past few years, including the review of our clients' creditworthiness and credit limits, so as to minimize our credit risk exposure. For the six months ended 30 June 2013, the Group had made an impairment write-back of approximately HK$2 million (2012: additional impairment of HK$5.7 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. Such significant impairment write-back in the current period was resulted from the recovery of some irrecoverable debts recognised in previous years.

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. However, during the six months ended 30 June 2013, the Group's placing and underwriting commission generated had decreased significantly to approximately HK$0.2 million (2012: HK$3 million). Nevertheless, the Group will continue to put efforts to capture the opportunities towards initial public offerings and other fund raising exercises in Hong Kong once the market sentiments improved constantly.

Overall, the operating performance of the brokerage and related businesses for the six months ended 30 June 2013 was much better than that of last year. For the six months ended 30 June 2013, the operating loss before and after tax generated from the brokerage and related businesses was approximately HK$1.7 million (2012: HK$9.1 million).

Corporate Finance

During the six months ended 30 June 2013, VC Capital Limited, 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 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 six months ended 30 June 2013, the Group's corporate financial advisory and related services recorded a revenue totaling approximately HK$2.8 million (2012: HK$2.2 million), and generated an operating loss before and after tax of approximately HK$2.8 million (2012: HK$8.4 million). Its operating performance for the six months ended 30 June 2013 had improved as compared to that of the same period in 2012. This was mainly attributable to the close down of the Group's Shenzhen office in July 2012, which had incurred operational costs of approximately HK$4.5 million for the six months ended 30 June 2012. As mentioned in the section "Business Review" above, though there were more companies to kick-off their new listings and other public offerings plans and even some merger and acquisition transactions in the Hong Kong stock market, it still takes time for the Group to capture the growing business opportunities from the more favourable and stable 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 six months ended 30 June 2013, the Group's asset management business, through VC Asset Management Limited (the indirect wholly owned subsidiary of the Company), recorded an operating loss before and after tax of approximately HK$1.2 million (2012: HK$0.5 million) which mainly comprising the general operating expenses incurred for such business.

Unallocated Costs

For the six months ended 30 June 2013, the unallocated costs of the Group was approximately HK$7.5 million as compared to approximately HK$6.6 million for the same period in 2012, which mainly included the unallocated corporate rental and utility expenses, staff costs and related expenses, and professional costs, etc. The increase in unallocated costs for the current period was mainly attributable to the increase of the office rental expenses and legal and professional fees incurred during the six months ended 30 June 2013.

Finance Costs

During the six months ended 30 June 2013, the finance costs of the Group was approximately HK$514,000 (2012: HK$434,000), in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage and related businesses.

Income Tax Expense

No provision for Hong Kong Profits Tax and the People's Republic of China (the "PRC") Enterprise Income Tax had been made during the six months ended 30 June 2013 (2012: HK$4,000) as there was no assessable profit.

Liquidity and Financial Resources/Capital Structure

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

The Group adopts a prudent treasury policy. As at 30 June 2013, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 30 June 2013.

The Group held banking facilities of HK$130 million granted from a bank to a subsidiary, VC Brokerage Limited, as at 30 June 2013 (31 December 2012: HK$130 million), in which HK$80 million (31 December 2012: HK$80 million) was general short-term money market loan and current account overdraft and was currently required to be secured by bank deposits of HK$40 million (31 December 2012: HK$40 million), and the other HK$50 million (31 December 2012: HK$50 million) was short-term money market loan for margin financing business and was required to be secured by VC Brokerage Limited's margin clients' listed securities when utilised. As at 30 June 2013, the Group had utilised the general short-term money market loan of HK$40 million (31 December 2012: HK$40 million), which bore an interest rate at HIBOR plus 2% per annum, by pledge of bank deposits of HK$40 million (31 December 2012: HK$40 million).

As at 30 June 2013, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$518.8 million (31 December 2012: HK$531.1 million), HK$213 million (31 December 2012: HK$263.4 million) and HK$527.9 million (31 December 2012: HK$538.9 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 6.7 as at 30 June 2013 (31 December 2012: 6.8).

As at 30 June 2013, the total number of issued ordinary shares of the Company was 408,428,829 at HK$0.10 each (31 December 2012: 405,924,829 shares of HK$0.10 each). The increase of 2,504,000 shares during the six months ended 30 June 2013 was due to the exercise of share options by the Directors of the Company and the employees of the Group.

Charges on Group Assets

As aforementioned, the Group had made a HK$40 million charge over its bank deposits to a bank (31 December 2012: HK$40 million) for securing banking facilities of HK$80 million granted to VC Brokerage Limited in short-term money market loan and current account overdraft as at 30 June 2013 (31 December 2012: HK$80 million).

Gearing Ratio

As at 30 June 2013, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was still at a satisfactory level of about 0.076 times (31 December 2012: 0.074 times).

Foreign Exchange Exposure

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. During the six months ended 30 June 2013, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize the exchange related risks.

Headcount and Employees Information

As at 30 June 2013, the Group had employed a total of 94 employees (31 December 2012: 101), of whom all are located in Hong Kong.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$22.7 million and HK$10.8 million respectively for the six months ended 30 June 2013 (2012: HK$24.1 million and HK$9.9 million respectively). The staff costs included equity-settled share-based payments of approximately HK$1.5 million for the six months ended 30 June 2012 (2013: Nil), in which part of these were included in the segment results and part thereof in the unallocated costs. Details had been given in Note 4 to the unaudited condensed consolidated financial statements.

The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, other staff benefits include medical coverage, sales commission, discretionary performance-based bonus, discretionary share options and share awards. Training and development programs are also provided to employees from time to time.

Material Acquisitions and Disposal of Subsidiaries, Significant Investments and their Performance

During the six months ended 30 June 2013, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in Note 17 to the unaudited condensed consolidated financial statements.

Future Plans for Material Investments or Capital Assets

As at 30 June 2013, the Group had no known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate.

As at 30 June 2013, the Group had contracted but not provided for in the unaudited condensed consolidated financial statements in respect of purchase of property and equipment for an amount of approximately HK$1.3 million (31 December 2012: Nil).

Contingent Liabilities

As at 30 June 2013, the Company had given financial guarantees of HK$130 million (31 December 2012: HK$130 million) to a bank in respect of banking facilities of HK$130 million provided to VC Brokerage Limited as mentioned in the section "Liquidity and financial resources/capital structure" above. As at 30 June 2013, banking facilities of an amount of HK$40 million was utilised by VC Brokerage Limited (31 December 2012: HK$40 million).

Events after the Reporting Period

On 15 May 2013, the Company entered into a placing agreement with a placing agent whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 80,000,000 warrants (the "Warrant(s)") at an issue price of HK$0.02 per Warrant. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20, which can be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. The placing and issue of 80,000,000 Warrants had been completed on 2 August 2013 and these Warrants can be exercised until 1 August 2015. The net proceeds from the placing and issue of the Warrants was approximately HK$1.5 million. The maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$96 million. The Company intends to use these net proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. Details were set out in the Company's announcements dated 15 May 2013 and 2 August 2013.

On 26 July 2013, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Wide Esteem Limited (the "Vendor") pursuant to which the Company intends to acquire and the Vendor intends to sell the entire issued share capital of Orient Xin Dai Management Co., Ltd. and its subsidiaries and associate companies (altogether the "Target Group") (the "Proposed Transaction"). The Target Group is principally engaged in the provision of (i) currency exchange services in the PRC; and (ii) management consultancy services for small loans companies in the PRC. No payment is required to be made upon the signing of the MOU. The consideration for the Proposed Transaction shall be determined after arm's length negotiation and set out in a formal agreement to be entered into between the Vendor and the Company (the "Formal Agreement"), but in any event shall be between approximately HK$300 million and approximately HK$500 million, which shall be settled by way of cash, issue of new shares and convertible bonds of the Company.

The MOU shall terminate on earlier of (i) the date on which the Formal Agreement is to be executed, or (ii) 30 September 2013 or such later date as the parties to the MOU may otherwise agree in writing. Completion of the Formal Agreement shall be conditional upon the fulfillment of certain conditions precedent on or before 31 December 2013 or such other date as the parties to the MOU may agree. Details were set out in the Company's announcement dated 26 July 2013.

On 3 July 2013, the Company had subscribed an unlisted Hong Kong dollar denominated convertible bonds in a principal amount of HK$20,000,000 maturing on the second anniversary of the date of issue of the convertible bonds (the "Convertible Bonds"). Interest of 8% per annum is payable annually until the Convertible Bonds are converted. The Company is entitled to convert the Convertible Bonds to ordinary shares at a conversion price of HK$0.79 each at any time from the day immediately following three months after the issue date up to the maturity date.

By Order of the Board of
Value Convergence Holdings Limited
Tin Ka Pak, Timmy
Chief Executive Officer & Executive Director

Hong Kong, 23 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Revenue	3	**32,727**	32,829
Other income	3	**580**	1,073
Staff costs	4	**(33,517)**	(33,983)
Commission expenses		**(1,414)**	(2,503)
Depreciation of property and equipment	10	**(594)**	(897)
Finance costs		**(514)**	(434)
Other operating expenses		**(12,471)**	(14,119)
Other gains and losses	5	**1,968**	(6,626)
Loss before tax		**(13,235)**	(24,660)
Income tax expense	6	**–**	(4)
Loss for the period	7	**(13,235)**	(24,664)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(18)**	(4)
Total comprehensive income for the period		**(13,253)**	(24,668)
Loss for the period attributable to:			
Owners of the Company		**(13,235)**	(24,337)
Non-controlling interests		**–**	(327)
		(13,235)	(24,664)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(13,253)**	(24,341)
Non-controlling interests		**–**	(327)
		(13,253)	(24,668)
Loss per share (HK cents)			
Basic	9	**(3.26)**	(6.04)
Diluted	9	**(3.26)**	(6.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**30 June 2013 HK$'000 (Unaudited)**	31 December 2012 HK$'000 (Audited)
Non-current assets			
Trading rights		**–**	–
Property and equipment	10	**1,227**	1,778
Statutory deposits		**4,179**	3,023
Other intangible assets		**1,547**	1,547
Available-for-sale investment		**65**	109
Rental and utility deposits		**2,080**	1,403
		9,098	7,860
Current assets			
Accounts receivable	11	**352,363**	314,080
Prepayments, deposits and other receivables		**4,342**	4,094
Tax recoverable		**402**	402
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	12	**212,977**	263,387
		610,084	621,963
Current liabilities			
Accounts payable	13	**42,795**	37,673
Accrued liabilities and other payables		**7,242**	12,006
Tax payable		**1,243**	1,224
Short-term bank borrowings	14	**40,000**	40,000
		91,280	90,903
Net current assets		**518,804**	531,060
Total assets less current liabilities		**527,902**	538,920
Capital and reserves			
Share capital	15	**40,843**	40,592
Reserves		**487,059**	498,328
Equity attributable to owners of the Company		**527,902**	538,920

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2013

	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$'000* *(Note 2)*	Total *HK$'000*
At 1 January 2013 (Audited)	40,592	432,827	123,758	(931)	(64,653)	8,094	(767)	538,920
Loss for the period	–	–	–	–	(13,235)	–	–	(13,235)
Other comprehensive income for the period	–	–	–	(18)	–	–	–	(18)
Total comprehensive income for the period	–	–	–	(18)	(13,235)	–	–	(13,253)
Exercise of share options	251	1,984	–	–	–	–	–	2,235
Transfer of share option reserve upon exercise of share options	–	617	–	–	–	(617)	–	–
Reversal of share option reserve upon forfeiture/ lapse of share options	–	–	–	–	2,592	(2,592)	–	–
At 30 June 2013 (Unaudited)	40,843	435,428	123,758	(949)	(75,296)	4,885	(767)	527,902

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2013

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) On 6 June 2012, VC Financial Group Limited, the Company's direct wholly owned subsidiary, had completed the acquisition of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited 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 Limited and VC Asset Management Limited had been recognised in Other Reserve.

(3) The placing and issue of 79,900,000 warrants at an issue price of HK$0.05 per warrant was completed on 14 July 2011. 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. 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 had been expired on 13 July 2012. The amount previously recognised in Warrant Reserve had therefore been transferred to accumulated losses.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(51,446)**	(9,382)
Cash flows from investing activities		
Purchase of property and equipment	**(44)**	(93)
Other investing cash flows	**(1,156)**	32
Net cash used in investing activities	**(1,200)**	(61)
Cash flows from financing activities		
Proceeds from exercise of share options	**2,235**	4,373
Payment for acquisition of additional equity interest in subsidiaries	**–**	(1,600)
Share issue expenses	**–**	(4)
Net cash from financing activities	**2,235**	2,769
Net decrease in cash and cash equivalents	**(50,411)**	(6,674)
Cash and cash equivalents at the beginning of period	**263,387**	321,018
Effect of exchange rate changes on the balance of cash held in foreign currencies	**1**	–
Cash and cash equivalents at the end of period, represented by bank balances and cash	**212,977**	314,344

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("new or revised HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on terms of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009-2011 cycle)

The Group has applied the amendments to HKAS 34 "Interim financial reporting" as part of the Annual improvements to HKFRSs 2009-2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the Group's Executive Committee (being the Group's chief operating decision maker) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the Group's Executive Committee does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets information as part of segment information.

Except as described above, the application of other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the following amendments to HKFRSs and interpretation that have been issued after the date the audited consolidated financial statements for the year ended 31 December 2012 were authorised for issuance but are not yet effective:

Amendments to HKAS 36	Impairment of assets – Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

The Directors of the Company anticipate that the adoption of these amendments to HKFRSs and interpretation will have no material impact on the Group's unaudited condensed consolidated financial statements.

3. **REVENUE AND SEGMENT INFORMATION**

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**19,871**	17,784
Underwriting, sub-underwriting, placing and sub-placing commission	**158**	3,047
Arrangement, management, advisory and other fee income	**2,727**	2,241
Interest income from clients	**9,971**	9,757
	32,727	32,829
Other income		
Interest income	**579**	1,026
Sundry income	**1**	47
	580	1,073
Total income	**33,307**	33,902

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 and related businesses, corporate finance and asset management and reports to the Group's Executive Committee accordingly. Details of these three operating and reportable segments are summarised as follows:

(i) the brokerage and related businesses segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, 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 is an analysis of the Group's revenue and results by operating and reportable segments:

Six months ended 30 June 2013 (Unaudited)

	Brokerage and related businesses *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue						
External sales	**30,000**	**2,727**	**–**	**32,727**	**–**	**32,727**
Inter-segment sales	**–**	**40**	**–**	**40**	**(40)**	**–**
	30,000	**2,767**	**–**	**32,767**	**(40)**	**32,727**
Segment loss	**(1,681)**	**(2,762)**	**(1,235)**	**(5,678)**	**–**	**(5,678)**
Elimination of intra-group costs						**6,519**
Central administrative costs						**(14,032)**
Impairment loss on available-for-sale investment						**(44)**
Loss before tax for the period						**(13,235)**

Six months ended 30 June 2012 (Unaudited)

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

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.

For the six months ended 30 June 2013 and 2012, 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 for the six months ended 30 June 2013 and 2012. 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.

4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff commission	**10,850**	9,877
Salaries and wages	**20,493**	20,250
Staff welfare	**814**	1,187
Recruitment costs	**30**	1
Termination benefits	**532**	400
Provision of long service payment/annual leave benefits	**268**	215
Retirement benefits scheme contributions	**589**	551
Recognition of equity-settled share-based payment	**–**	1,502
Reversal of discretionary and performance related incentive payments	**(59)**	–
	33,517	33,983

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Impairment (write-back) loss on doubtful receivables, net	**(1,993)**	5,698
Impairment loss on available-for-sale investment	**44**	103
Loss on disposal/written off of property and equipment	**1**	821
Net exchange (gain) loss	**(20)**	4
	(1,968)	6,626

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax has been made for the six months ended 30 June 2013 as the Group has no assessable profit. The tax charge of HK$4,000 to the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2012 represented the under-provision of the PRC Enterprise Income Tax in prior years. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for both periods.

At 30 June 2013, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$1,286,000 and HK$213,194,000 respectively (31 December 2012: HK$1,059,000 and HK$200,146,000).

No deferred tax asset has been recognised as at 30 June 2013 and 31 December 2012 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.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Included in other operating expenses:		
Auditors' remuneration	**479**	479
Operating leases in respect of land and buildings	**4,529**	4,587

8. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2013 (2012: Nil). The directors of the Company have determined that no dividend will be paid in respect of this interim period.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to the owners of the Company)	**(13,235)**	(24,337)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**406,526**	403,155

The diluted loss per share for the six months ended 30 June 2013 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 the six months ended 30 June 2012 is computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

10. PROPERTY AND EQUIPMENT

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying value, beginning of period/year	**1,778**	3,563
Additions	**44**	659
Depreciation	**(594)**	(1,576)
Written off/disposal	**(1)**	(865)
Exchange difference	**–**	(3)
Carrying value, end of period/year	**1,227**	1,778

11. ACCOUNTS RECEIVABLE

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house and brokers *(Note a)*	**52,599**	20,551
Cash clients *(Note b)*	**18,643**	25,358
Margin clients *(Note c)*	**255,760**	268,126
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note d)*	**128**	45
Accounts receivable arising from the ordinary course of business of money lending services *(Note e)*	**25,233**	–
	352,363	314,080

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:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**350,194**	308,137
Past due but not impaired *(Note f)*	**2,229**	3,103
Impaired	**56**	7,483
	352,479	318,723
Less: Allowance for impairment *(Note g)*	**(116)**	(4,643)
	352,363	314,080

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.

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:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**69,097**	42,838
31-90 days	**975**	520
Over 90 days	**1,170**	2,551
	71,242	45,909

As at 30 June 2013, accounts receivable of approximately HK$59,000 (31 December 2012: HK$117,000) was due from a director of the Group, in respect of transactions in securities undertaken for his account.

Notes:

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

(b) As at 30 June 2013, accounts receivable due from cash clients are secured by clients' pledged listed securities which carry a fair value of approximately HK$218,895,000 (31 December 2012: HK$385,769,000) in relation to the receivables of approximately HK$18,703,000 (31 December 2012: HK$25,363,000) that are not impaired; and a fair value of approximately HK$4,000 (31 December 2012: HK$31,000) in relation to the receivables of approximately HK$8,000 (31 December 2012: HK$107,000) 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' receivable which are past due bear interest at commercial rates.

(c) As at 30 June 2013, accounts receivable due from margin clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$1,008,340,000 (31 December 2012: HK$852,785,000) in relation to the receivables of approximately HK$255,760,000 (31 December 2012: HK$265,281,000) 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$12,000 (31 December 2012: HK$7,340,000) are impaired and are not secured by any pledged listed securities as at 30 June 2013 (31 December 2012: Nil).

Securities are assigned with specific margin rations for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Margin clients' receivables are repayable on demand and bear interest at commercial rates.

(d) As at 30 June 2013, accounts receivables arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services include an amount of approximately HK$36,000 (31 December 2012: HK$36,000) that is impaired and has been fully provided for impairment loss. The settlement terms of these receivables are due immediately from date of billing but the Group will grant a normal credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	As at 30 June 2013 *HK$'000* (Unaudited)	As at 31 December 2012 *HK$'000* (Audited)
Within 30 days	**108**	45
31-90 days	**20**	–
	128	45

(e) As at 30 June 2013, accounts receivable arising from the ordinary course of business of money lending services are secured and bear fixed-rate interest at 1% per month. The accounts receivable have remaining contractual maturity date falling within one year. The receivables are secured by the clients' pledged unlisted debt securities as at 30 June 2013. 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.

(f) Included in "Past due but not impaired" category are accounts receivable due from clients which are past due at the end of the reporting period for which the Group has not provided for any impairment loss. The aging analysis based on the trade/invoice date is as follows:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
31-90 days	**994**	520
Over 90 days	**1,235**	2,583
	2,229	3,103

As at 30 June 2013, these receivables include cash clients' receivables of approximately HK$2,209,000 (31 December 2012: HK$3,103,000). 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 30 June 2013, the remaining balance of accounts receivable of HK$20,000 (31 December 2012: Nil) are receivables arising from the provision of corporate financial advisory services. The Group has not provided for any impairment loss as the client is with good credit quality. The extent of delay of the repayment is considered normal in the corporate financial advisory industry.

(g) 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:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Balance at the beginning of period/year	**4,643**	5,464
Impairment (write-back) loss recognised, net	**(1,993)**	1,144
Amounts written off as uncollectible	**(2,534)**	(1,965)
Balance at the end of period/year	**116**	4,643

In determining the recoverability of these accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date on which the credit was initially granted up to the end of the reporting date and also the fair values of the collateral held. Besides, the concentration of credit risk is limited due to the customer base being large and unrelated.

12. BANK BALANCES AND CASH

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, VC Futures Limited and VC Capital Limited act as trustees that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its unaudited condensed consolidated statement of financial position. As at 30 June 2013, the Group maintained segregated accounts at one clearing house of approximately HK$2,173,000 (31 December 2012: HK$1,022,000) and at other authorised institutions of approximately HK$218,093,000 (31 December 2012: HK$265,106,000) in conjunction with its securities, futures and options brokering and dealing business, and corporate financial advisory business as a result of the normal business transactions, which are not otherwise dealt with in the unaudited condensed consolidated financial statements.

13. ACCOUNTS PAYABLE

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Notes a and b)*:		
Clearing house	**–**	3,123
Cash clients	**39,299**	28,861
Margin clients	**1,853**	5,669
Accounts payable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services	**1,643**	20
	42,795	37,673

*Note*s:

(a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. In the opinion of the Directors of the Company, no aging analysis is disclosed as it is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.

(b) As at 30 June 2013, accounts payable of approximately HK$255,000 (31 December 2012: HK$112,000) was due to directors of the Group, and close family members of these directors, in respect of transactions in securities undertaken for their accounts.

14. SHORT-TERM BANK BORROWINGS

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits of HK$40 million and bore an interest rate at HIBOR plus 2% per annum as at 30 June 2013 and 31 December 2012.

15. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each	
	Number of shares	**Amount** *HK$'000*
At 1 January 2012, 31 December 2012 and 30 June 2013	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 2012 (Audited)	399,736,829	39,974
Exercise of share options	6,188,000	618
At 31 December 2012 (Audited)	405,924,829	40,592
Exercise of share options	2,504,000	251
At 30 June 2013 (Unaudited)	408,428,829	40,843

16. FINANCIAL GUARANTEE

As at 30 June 2013, the Company had given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK$130 million (31 December 2012: HK$130 million). As at 30 June 2013, HK$40 million banking facilities was utilised by VC Brokerage Limited (31 December 2012: HK$40 million). The fair value of the financial guarantee contract is immaterial.

17. COMMITMENTS

(a) Capital commitments

As at 30 June 2013, the Group had made commitments contracted but not provided for in respect of purchase of property and equipment for an amount of approximately HK$1,315,000 (31 December 2012: Nil).

(b) Commitments under operating leases

As at 30 June 2013 and 31 December 2012, 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:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**6,994**	3,537
In the second to fifth years inclusive	**10,632**	–
	17,626	3,537

Operating lease payments represent rental payable by the Group for certain of its office properties. Rental are fixed for lease terms of 0.5 to 3 years in the current period (31 December 2012: 0.5 to 3 years).

18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2013, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**189**	78

The balances with related parties are set out on in Notes 11 and 13.

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 May 2013, the Company entered into a placing agreement with a placing agent whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 80,000,000 warrants (the "Warrant(s)") at an issue price of HK$0.02 per Warrant. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20, which can be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. The placing and issue of 80,000,000 Warrants had been completed on 2 August 2013 and these Warrants can be exercised until 1 August 2015. The net proceeds from the placing and issue of Warrants was approximately HK$1.5 million. The maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$96 million. The Company intends to use these net proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. Details were set out in the Company's announcements dated 15 May 2013 and 2 August 2013.

(b) On 26 July 2013, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Wide Esteem Limited (the "Vendor") pursuant to which the Company intends to acquire and the Vendor intends to sell the entire issued share capital of Orient Xin Dai Management Co., Ltd. and its subsidiaries and associate companies (altogether the "Target Group") (the "Proposed Transaction"). The Target Group is principally engaged in the provision of (i) currency exchange services in the PRC; and (ii) management consultancy services for small loans companies in the PRC. No payment is required to be made upon the signing of the MOU. The consideration for the Proposed Transaction shall be determined after arm's length negotiation and set out in a formal agreement to be entered into between the Vendor and the Company (the "Formal Agreement"), but in any event shall be between approximately HK$300 million and approximately HK$500 million, which shall be settled by way of cash, issue of new shares and convertible bonds of the Company.

    The MOU shall terminate on earlier of (i) the date on which the Formal Agreement is to be executed, or (ii) 30 September 2013 or such later date as the parties to the MOU may otherwise agree in writing. Completion of the Formal Agreement shall be conditional upon the fulfillment of certain conditions precedent on or before 31 December 2013 or such other date as the parties to the MOU may agree. Details were set out in the Company's announcement dated 26 July 2013.

(c) On 3 July 2013, the Company had subscribed an unlisted Hong Kong dollar denominated convertible bonds in a principal amount of HK$20,000,000 maturing on the second anniversary of the date of issue of the convertible bonds (the "Convertible Bonds"). Interest of 8% per annum is payable annually until the Convertible Bonds are converted. The Company is entitled to convert the Convertible Bonds to ordinary shares at a conversion price of HK$0.79 each at any time from the day immediately following three months after the issue date up to the maturity date.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 18 to the unaudited condensed consolidated financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2013 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the relevant interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

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

Name of Director	Capacity	Nature of Interest	Number of issued ordinary shares held	Approximate % of issued share capital
Mr. Chau King Fai, Philip	Beneficial owner	Personal	2,369,869	0.58%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	0.12%

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

Name of Director	Number of Share Options: Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2013	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price *HK$*
Mr. Tin Ka Pak, Timmy	1,000,000	–	–	–	1,000,000	0.24%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Mr. Chau King Fai, Philip	1,000,000	–	–	–	1,000,000	0.24%	10 October 2011	10 October 2011 – 9 October 2014	0.794
	750,000	–	–	–	750,000	0.19%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	1,750,000	–	–	–	1,750,000	0.43%			
Mr. Cheng Tze Kit, Larry	1,700,000	–	–	(1,700,000)	–	–	18 January 2010	18 January 2010 – 17 January 2013	1.84
	1,000,000	–	–	–	1,000,000	0.24%	10 October 2011	10 October 2011 – 9 October 2014	0.794
	1,000,000	–	–	–	1,000,000	0.24%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,700,000	–	–	(1,700,000)	2,000,000	0.48%			
Ms. So Wai Yee, Betty	1,700,000	–	–	(1,700,000)	–	–	18 January 2010	18 January 2010 – 17 January 2013	1.84
	1,000,000	–	–	–	1,000,000	0.24%	10 October 2011	10 October 2011 – 9 October 2014	0.794
	750,000	–	–	–	750,000	0.19%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,450,000	–	–	(1,700,000)	1,750,000	0.43%			
Mr. Ip Chun Chung, Robert	500,000	–	–	–	500,000	0.12%	6 June 2012	6 June 2012 – 5 June 2015	1.04
Total	**10,400,000**	**-**	**-**	**(3,400,000)**	**7,000,000**	**1.70%**			

Notes:

1. As at 30 June 2013, the total number of issued ordinary shares of the Company was 408,428,829.

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

3. During the six months ended 30 June 2013, no share options mentioned above were cancelled.

Save as disclosed above, as at 30 June 2013, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2013, other than the interests of the Directors or Chief Executive of the Company as disclosed above, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

Ordinary shares of HK$0.10 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital	*Notes*
Mr. Hu Guoen	Beneficial owner	24,480,000	5.99%	–
Eternity Sky Limited	Held by controlled corporation	33,904,000	8.30%	2
China Investment Fund Company Limited	Held by controlled corporation	33,904,000	8.30%	2

Notes:

1. As at 30 June 2013, the total number of issued ordinary shares of the Company was 408,428,829.

2. Eternity Sky Limited was deemed to be interested in 33,904,000 ordinary shares in the Company as its certain 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 8.30% 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 30 June 2013, 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 the 2009 Share Option Scheme. Movements of the share options, which were granted under the GEM Share Option Scheme and 2009 Share Option Scheme, during the six months ended 30 June 2013 were set out below:

(a) GEM Share Option Scheme

	Number of Share Options							
Category of participant	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2013	Date of grant	Share options duration	Exercise price *HK$*
Other eligible persons	100,000	–	–	–	100,000	25 March 2004	25 March 2004 – 24 March 2014	0.64

Note:

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

(b) 2009 Share Option Scheme

Category of participant	Number of Share Options: Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2013	Date of grant	Share options duration	Exercise Price HK$
Directors	3,400,000	–	–	(3,400,000)	–	18 January 2010	18 January 2010 – 17 January 2013	1.84
Directors	4,000,000	–	–	–	4,000,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Directors	4,500,000	–	(1,000,000)	–	3,500,000	6 June 2012	6 June 2012 – 5 June 2015	1.04
Directors	3,500,000	–	–	–	3,500,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	15,400,000	–	(1,000,000)	(3,400,000)	11,000,000			
Employees	6,872,000	–	(1,504,000)	–	5,368,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Employees	1,500,000	–	–	–	1,500,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	8,372,000	–	(1,504,000)	–	6,868,000			
Other eligible persons	1,000,000	–	–	–	1,000,000	10 October 2011	10 October 2011 – 9 October 2014	0.794
Total	**24,772,000**	**–**	**(2,504,000)**	**(3,400,000)**	**18,868,000**			

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-section "Long positions in the shares and underlying shares of the Company" under the section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

SHARE AWARD SCHEMES

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

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

During the six months ended 30 June 2013, there were no shares awarded by the Company to any Directors, Chief Executive and employees of the Company and/or its subsidiaries and outstanding under the Share Purchase Scheme and the Share Subscription Scheme.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code. Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the six months ended 30 June 2013.

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 (as defined below) of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has applied the principles and complied with all code provisions as set out in the Corporate Governance Code ("CG Code") during the six months ended 30 June 2013, which were contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer 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 annual general meeting of the Company held on 24 May 2012, the office of the Chairman of the Board was vacant. The Company is now in the process of identifying the suitable candidate to fill the vacancy of the Chairman. Mr. Tin Ka Pak, Timmy, Chief Executive Officer of the Company, would take up the roles and functions of the Chairman until the new Chairman is on Board.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All the non-executive Directors of the Company are not appointed for specific term. However, under the article 92 of the Articles of Association of the Company, all Directors, including non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

Under the code provision A.6.7 of the CG Code, non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Kwok Hing, Wilfred, an Independent Non-executive Director of the Company, was absent from the annual general meeting of the Company held on 30 May 2013 (the "2013 AGM") due to other business commitments. Mr. Lam retired as independent non-executive Director of the Company during the 2013 AGM.

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

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

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

AUDIT COMMITTEE

The Company's Audit Committee was formed on 14 March 2001 and is currently composed of three independent non-executive Directors of the Company, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Ip Chun Chung, Robert and Mr. Wong Kam Choi, Kerry. The primary duties of the Audit Committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and results for the six months ended 30 June 2013 and is satisfied that these have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four Executive Directors, namely, Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry (Chief Investment Officer), Ms. So Wai Yee, Betty (Chief Financial Officer); and three Independent Non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Wong Chung Kin, Quentin and Mr. Wong Kam Choi, Kerry.