

2015 Interim Report

*Delivering Value
Through Excellence*



VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821

www.vcgroup.com.hk

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*)
Mr. LIN Hoi Kwong, Aristo

Non-executive Director

Mr. CHUNG Chi Shing, Eric

Independent Non-executive Directors

Mr. IP Chun Chung, Robert
Mr. WONG Chung Kin, Quentin
Mr. WONG Kam Choi, Kerry, MH

Executive Committee

Mr. TIN Ka Pak, Timmy (*Chairman*)
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
Ms. SO Wai Yee, Betty
Mr. LIN Hoi Kwong, Aristo
Mr. NG Man Hoi, Paul^A
Ms. FUNG Wai Har, Amanda^A
Mr. WONG Man Hin, Charles^A

Audit Committee

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

Remuneration Committee

Mr. WONG Kam Choi, Kerry, MH (*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, MH

Finance Committee

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

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/ Principal Place of Business

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 Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

The Stock Exchange of
Hong Kong Limited: 821

Company Website

<http://www.vcgroup.com.hk>

^A non-voting co-opted member

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The board (the “Board”) of directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) submits the unaudited condensed consolidated results of the Company and its subsidiaries (collectively “VC Group” or the “Group”) for the six months ended 30 June 2015, together with the unaudited comparative figures of the corresponding period in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

As an international financial center, Hong Kong was inevitably affected by the continual uncertainties and challenges in the global economy. Drawing on the strong growth momentum in 2014, including the active fund raising activities and the huge inflow of funds into the local stock market, especially from the mainland China, the local capital market delivered strong performance from the beginning of 2015 and even hit a significant upswing in the second quarter of 2015. These were all reflected in the sharp improvement in the local stock market’s average daily trading turnover, market capitalization and other various key market indices.

The average daily trading turnover was approximately HK\$86.4 billion for the first quarter of 2015. Then, Hong Kong’s stock market suddenly became much more active following the Easter holiday, in which the average daily trading turnover sharply increased to approximately HK\$164.9 billion in the second quarter of 2015 and even recorded a peak of approximately HK\$293.9 billion on 9 April 2015. The local stock market experienced the strongest rebound since the global financial tsunami erupted in late 2008. Overall, the local stock market’s average daily trading turnover for the first half of 2015 was approximately HK\$125.3 billion, which was about 99% higher than the same period last year. The growth was also reflected in the Hang Seng Index (the “HSI”), which hit a record high of 28,442 on 28 April 2015 since the financial tsunami. As at 30 June 2015, the HSI closed at 26,250 as compared to 23,605 as at 31 December 2014.

Meanwhile, the total market capitalization of local stock market also increased dramatically to reach approximately HK\$29,080.5 billion as at 30 June 2015 as compared with approximately HK\$25,071.8 billion as at 31 December 2014 and reached an all-time high of approximately HK\$31,549.9 billion on 26 May 2015. Furthermore, the total fund raised in Hong Kong was approximately HK\$708.9 billion in the first half of 2015, representing a significant increase of about 225% as compared with approximately HK\$217.9 billion for the same period in 2014. This further affirmed that the local capital market was very active and competitive in the first half of 2015. However, it was worth noting that the local stock market took cues from sluggish global markets from late June 2015 and dropped to their lowest level in three months as investors reacted to the negative development in Greece debt crisis as well as the continued slumps in mainland China market.

Indeed, the strong growth of the local financial market in the first half of 2015 was partially contributed by the launch of Shanghai-Hong Kong Stock Connect since November 2014, which enabled Mainland Chinese investors to invest in selected companies listed in Hong Kong while at the same time allowing Hong Kong and international investors to buy Chinese A shares listed in Shanghai. This encourages overseas companies seeking a primary or secondary listing in Hong Kong, which may find this an attractive opportunity to increase cash flows from Mainland Chinese investors seeking diversification of their investment portfolios. Meanwhile, overseas companies may also use the presence on the Hong Kong stock exchange to boost their profiles in China. This development had certainly helped boost the growth of the local financial market.

As a financial services provider, the business performance of VC Group in the first half of 2015 was positively impacted by both the global and local economic and market conditions. As always, the Group thrived on its solid financial standing and its various investment services and products offered to our clients, all of which consolidated the Group as a competitive player in the industry. While the nature of VC Group's financial business makes it particularly sensitive to fluctuating economic conditions and investors' sentiments, the Group maintains a firmly anchored operating strategy, as our focus is to develop and fortify our core businesses including (i) securities, futures and options brokering and dealing (including local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, margin financing, placement and underwriting, etc.); (ii) financing services; and (iii) corporate finance services in relation to sponsoring and underwriting initial public offerings, mergers and acquisitions. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders' value.

With the successful placing of 82,600,000 shares of the Company completed in January 2015, the Company will use the net proceeds of approximately HK\$79.7 million from the placement to reinforce its core businesses, expand the financing services and seek for any investment opportunities.

Details of the Group's business performance of each operating segment for the six months ended 30 June 2015, together with the comparative figures of the corresponding period in 2014, are given in the section "Financial Review" below.

Outlook

Looking forward, the Group foresees that the second half of 2015 is very challenging for the local financial sector. Divergent risks as well as opportunities reign over global economic conditions, while the financial market seeks to rally for broadening growth. As aforementioned, the local stock market started undergoing some extent of corrections and adjustments from late June 2015. Investors' sentiment was strongly hit by the twin worries of Greece's uncertain future in Euro and the equity rout happened in mainland China capital market. The local HSI once plunged most by 5.8% on 8 July 2015 since the global financial crisis erupted in late 2008. Investors are reminded to watch the market closely and avoid taking excessive risks. Having said that, the accelerating economic and financial reforms happened in the mainland China may help positioning and even strengthening Hong Kong as a key investment platform for both the Chinese investors and overseas investors and allow the overseas investors to gain access to the Mainland capital market, however, it still has a long way to go. It is expected that the positive impact may be further expanded through the forthcoming launch of Shenzhen-Hong Kong Stock Connect which is now pending for regulatory approval.

Our business strategies continued to include enlarging our revenue base through fostering our core businesses, and tapping into new emerging markets with expanded business initiatives. While applying our excellent operational capabilities to serve our clients, the Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond. While the Group continues to explore business opportunities in the PRC market, we also keep a firm grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted.

Financial Review

For the six months ended 30 June 2015, the Group's consolidated revenue was approximately HK\$51 million which increased by about 25% as compared with the same period in 2014. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$30.8 million for the six months ended 30 June 2015 against a consolidated profit of approximately HK\$3.3 million for the same period in 2014. The consolidated loss was mainly attributable to the recognition of the net loss of approximately HK\$47.9 million on fair value changes in relation to 80 million non-listed warrants (the "Warrant(s)") issued by the Company as compared with the net gain of approximately HK\$7.7 million on the fair value changes on the Warrants and the investment of HK\$20 million in a non-listed convertible bond (the "Convertible Bond") held by the Company for the same period in 2014.

Excluding the recognition of the net fair value changes on the Warrants and the Convertible Bond, the Group generated a consolidated operating profit of approximately HK\$17.1 million for the six months ended 30 June 2015 against a loss of approximately HK\$4.4 million for the same period in 2014. The turnaround result was mainly attributable to the recognition of the net unrealised gain of approximately HK\$17.4 million on the Group's investments held for trading and the improvement in the operating performance from the Group's brokerage and financing businesses achieving an operating profit after tax of approximately HK\$5.1 million as compared with approximately HK\$1.9 million for the same period in 2014.

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	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Segmental results:		
Brokerage and Financing	5,221	1,945
Corporate Finance	(968)	(3,552)
Asset Management	(479)	(128)
	<hr/>	<hr/>
Group segment profit (loss)	3,774	(1,735)
Net unallocated costs	(3,963)	(2,592)
Fair value change on derivative financial asset	–	(2,254)
Fair value change on financial liability at fair value through profit or loss	(47,914)	9,933
Net unrealised gain on investments held for trading	17,400	–
	<hr/>	<hr/>
(Loss) profit before taxation	(30,703)	3,352
Income tax expense	(119)	(76)
	<hr/>	<hr/>
(Loss) profit for the period attributable to shareholders of the Company	(30,822)	3,276
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Brokerage and Financing

During the six months ended 30 June 2015, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage Limited and VC Futures Limited, provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services. It also through another indirect wholly owned subsidiary, VC Finance Limited, provides money lending services. For the six months ended 30 June 2015, the brokerage and financing businesses recorded total revenue of approximately HK\$47.2 million as compared with approximately HK\$39.8 million for the same period last year, representing an increase of about 19%. The Group's major revenue stream, namely, brokerage commission and other related fee from dealing in securities, futures and options contracts for the six months ended 30 June 2015 increased sharply to approximately HK\$29.4 million from approximately HK\$21.6 million for the same period last year, representing an increase of about 36%. It reflected that the Group's brokerage business keeps growing, although to a lesser extent, with the local stock market as mentioned in the section "Business Review" above.

Besides, for the six months ended 30 June 2015, the Group's total interest income from financing, which included the interest income derived from brokerage business and the interest income derived from money lending business, increased by about 2% to approximately HK\$16.1 million from approximately HK\$15.8 million for the same period last year. Among these, the Group's interest income from our brokerage clients achieved a strong growth, in which an amount of approximately HK\$13.5 million was recorded for the six months ended 30 June 2015, representing about 16% higher than that of the same period last year. The growth was mainly contributed by the increase of the average loan portfolio to our brokerage clients by about 11% for the six months ended 30 June 2015 as compared with that of the same period last year.

In order to 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, the Group started to devote resources to expand the money lending business from the end of first half of 2013. However, there was a decrease in the Group's interest income generated from the provision of money lending services to our clients for the six months ended 30 June 2015, which recorded approximately HK\$2.6 million as compared with approximately HK\$4.3 million for the same period last year, representing a decrease of about 38%. The decrease was mainly because the Group devoted more resources into the brokerage business during the first half of 2015 so as to capitalize on the significant growing opportunities of the local stock market and thereon delivered the best value to our shareholders.

Meanwhile, the Group continues to put great effort into implementing our credit control policies and procedures including the review of our clients' creditworthiness and credit limits from time to time so as to minimize our credit risk exposure. For the six months ended 30 June 2015 and 2014, there was no movement in impairment loss 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.

Further, the Group also offers placing and underwriting services to our clients, and acts as placing agents and underwriters for Hong Kong listed companies' fund raising activities. For the six months ended 30 June 2015, the Group's placing and underwriting commission was approximately HK\$1.6 million as compared with approximately HK\$1.9 million for the same period last year. The Group will continue to put efforts to capture the growing opportunities towards initial public offerings and other fund raising exercises in Hong Kong.

Overall, the operating performance of the brokerage and financing businesses for the six months ended 30 June 2015 improved significantly as a result of the revenue growth and improved operating efficiency. For the six months ended 30 June 2015, the operating profit before and after tax generated from the brokerage and financing businesses were approximately HK\$5.2 million and HK\$5.1 million respectively against the operating profit before and after tax of approximately HK\$1.9 million for the same period last year.

Corporate Finance

For the six months ended 30 June 2015, VC Capital Limited, an indirect wholly owned subsidiary of the Company, was 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 and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the six months ended 30 June 2015, it acted as a joint sponsor successfully helping a company to seek for listing in the Growth Enterprise Market, in which VC Brokerage Limited also acted as the sole bookrunner and joint lead manager in the share offer of that company.

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.

For the six months ended 30 June 2015, the Group's corporate financial advisory and related services recorded revenue of approximately HK\$3.9 million and an operating loss after tax of approximately HK\$1 million as compared with approximately HK\$1.5 million and HK\$3.6 million respectively for the same period last year.

Asset Management

The Group is still pursuing new business opportunities and resources 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 clients. In the past few years, the global economic recovery continued to gain some momentum after the financial tsunami, however, the growth remained fragile constantly, which made the development of our asset management business still difficult.

For the six months ended 30 June 2015, the Company's asset management business, through its indirect wholly owned subsidiary, VC Asset Management Limited, recorded an operating loss after tax of approximately HK\$0.5 million as compared with approximately HK\$0.1 million for the same period last year, which mainly included the general operating expenses such as the staff costs.

Net unallocated costs

For the six months ended 30 June 2015, the net unallocated costs of the Group amounted to approximately HK\$4 million as compared with approximately HK\$2.6 million for the same period last year, which mainly included the unallocated corporate staff costs and related expenses, rental and utility expenses and professional costs, etc. The net increase in the unallocated costs for the first half of 2015 was mainly attributable to the increase in corporate staff costs incurred.

Fair value change on financial liability at fair value through profit or loss

On 2 August 2013, the Company placed and issued 80 million Warrants at an issue price of HK\$0.02 each. 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 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. As at 30 June 2015, the 80 million Warrants were outstanding.

The Warrants were classified as financial liability at fair value through profit or loss and were measured at fair value with changes in fair value recognised in profit or loss. As at 30 June 2015, the carrying amount of the Warrants was approximately HK\$57.8 million as compared with approximately HK\$9.9 million as at 31 December 2014, which were based on the valuation reports prepared by an independent professional valuer on the respective dates. As such, the Group recognised a loss of approximately HK\$47.9 million on fair value change of the Warrants in profit or loss for the six months ended 30 June 2015. Details had been given in Note 18 to the unaudited condensed consolidated financial statements.

Net unrealised gain on investments held for trading

As at 30 June 2015, the Group held listed equity securities as investments held for trading of approximately HK\$27.9 million which was stated at market value as compared with approximately HK\$10.5 million as at 31 December 2014. As such, the Group recognised a net unrealised gain of approximately HK\$17.4 million on the investments held for trading for the six months ended 30 June 2015.

Finance costs

For the six months ended 30 June 2015, the finance costs of the Group amounted to approximately HK\$0.7 million as compared with approximately HK\$0.3 million for the same period last year, in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage and financing businesses.

Income tax expense

For the six months ended 30 June 2015, the income tax expense of the Group amounted to approximately HK\$119,000 as compared with approximately HK\$76,000 for the same period last year, which represented the provision of Hong Kong Profits Tax charge in relation to the profitability generated from the brokerage and financing businesses.

Liquidity and financial resources/capital structure

For the six months ended 30 June 2015, the Group financed its business operations and investments with internal resources, cash revenues generated from operating activities and short-term bank loans.

The Group adopts a prudent treasury policy. As at 30 June 2015, 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 2015.

The Group held banking facilities of HK\$130 million granted from a bank to VC Brokerage Limited as at 30 June 2015 (31 December 2014: HK\$130 million), in which HK\$80 million (31 December 2014: 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 2014: HK\$40 million), and the other HK\$50 million (31 December 2014: 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 2015, the Group utilised the general short-term money market loan of HK\$40 million (31 December 2014: 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 2014: HK\$40 million).

As at 30 June 2015, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$541.6 million (31 December 2014: HK\$490.8 million), HK\$173 million (31 December 2014: HK\$228.3 million) and HK\$551.8 million (31 December 2014: HK\$501.2 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of approximately 3.4 as at 30 June 2015 (31 December 2014: 4.8).

As at 30 June 2015, the total number of issued ordinary shares of the Company was 502,266,829 (31 December 2014: 418,166,829 shares). The increase of 84,100,000 shares during the six months ended 30 June 2015 was attributable to the completion of the placing of 82,600,000 new shares and the exercise of 1,500,000 share options by the Directors of the Company and the employees of the Group.

As aforementioned, the Company completed the placing of 82,600,000 new shares at an issue price of HK\$0.98 each on 21 January 2015 and 82,600,000 new shares were issued thereon, representing approximately 16.49% of the aggregated number of the issued ordinary shares of the Company as enlarged by the issue of the 82,600,000 placing shares immediately after the completion, and provided the aggregate gross proceeds of approximately HK\$80.9 million to the Company. The Company intended to use the net proceeds of approximately HK\$79.7 million from the placement for general working capital of the Group; expanding the margin financing and money lending business; and possible investment in the future when opportunities arise.

Charges on group assets

As mentioned in the section “Liquidity and financial resources/capital structure” above, the Group made a HK\$40 million charge over its bank deposits to a bank (31 December 2014: HK\$40 million) for securing the banking facilities of HK\$80 million granted to VC Brokerage Limited in general short-term money market loan and current account overdraft as at 30 June 2015 (31 December 2014: HK\$80 million).

Gearing ratio

As at 30 June 2015, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was approximately 0.07 time (31 December 2014: 0.08 time).

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. For the six months ended 30 June 2015, 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 2015, the Group employed a total of 92 employees (31 December 2014: 92), of whom all were located in Hong Kong. Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK\$19.5 million and HK\$15 million respectively for the six months ended 30 June 2015 as compared with approximately HK\$18.3 million and HK\$11.2 million respectively for the same period last year. 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

For the six months ended 30 June 2015, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in Note 21 to the unaudited condensed consolidated financial statements.

Future plans for material investments or capital assets

As at 30 June 2015, the Group had no other 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 2015, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment except those given in Note 21 to the unaudited condensed consolidated financial statements.

Contingent liabilities

As at 30 June 2015, the Company had given financial guarantees of HK\$130 million (31 December 2014: 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 2015, banking facilities of an amount of HK\$40 million was utilised by VC Brokerage Limited (31 December 2014: HK\$40 million).

Events after the reporting period

As mentioned in the subsection “Fair value change on financial liability at fair value through profit or loss” under section “Financial Review” above, the 80 million Warrants which were placed and issued in August 2013 were outstanding as at 30 June 2015. In late July 2015, a total of 47,200,000 Warrants out of the 80 million Warrants were exercised. Accordingly, the Company had issued 47,200,000 subscription shares, representing approximately 8.59% of the aggregated number of issued ordinary shares of the Company as enlarged by the issue and allotment of the subscription shares, which providing the aggregate net proceeds of approximately HK\$56.6 million to the Company. Meanwhile, the balance of 32,800,000 Warrants expired on 1 August 2015. Upon the exercise and expiry of the Warrants as aforementioned, the Group’s net loss on the fair value changes and the expiry of the Warrants is estimated to be approximately HK\$0.7 million for 2015 against the net loss on the fair value changes of approximately HK\$47.9 million for the six months ended 30 June 2015.

On 6 August 2015, it was announced that the Company is in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company (“Possible Transaction”). The Possible Transaction may result in the introduction of a controlling shareholder and a change in control of the Company under the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs. As at the date of this report, discussions are still in progress and the parties have not agreed on any terms of the Possible Transaction. No legally binding agreement for the Possible Transaction has been entered into between the parties.

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

Hong Kong, 20 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	50,950	40,833
Other income	3	2,167	1,942
Staff costs	4	(34,521)	(29,505)
Commission expenses		(3,993)	(2,288)
Depreciation of property and equipment	10	(748)	(848)
Finance costs		(726)	(329)
Other operating expenses		(13,305)	(14,108)
Other gains and losses	5	(30,527)	7,655
(Loss) profit before taxation		(30,703)	3,352
Income tax expense	6	(119)	(76)
(Loss) profit for the period attributable to owners of the Company	7	(30,822)	3,276
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		–	(2)
Total comprehensive income for the period attributable to owners of the Company		(30,822)	3,274
(Loss) earnings per share (HK cents)			
Basic	9	(6.26)	0.79
Diluted	9	(6.26)	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current assets			
Trading rights		–	–
Property and equipment	10	3,319	2,587
Statutory deposits		5,722	3,946
Other intangible assets		1,246	1,246
Available-for-sale investment		–	–
Rental and utility deposits		–	2,630
		10,287	10,409
Current assets			
Accounts receivable	11	496,935	319,955
Prepayments, deposits and other receivables		6,714	3,864
Investments held for trading	12	27,900	10,500
Convertible bond receivable	13	19,987	18,833
Derivative financial asset	14	–	–
Pledged bank deposits		40,000	40,000
Bank balances and cash	15	173,006	228,297
		764,542	621,449
Current liabilities			
Accounts payable	16	113,612	70,651
Accrued liabilities and other payables		11,270	9,888
Taxation payable		342	223
Short-term bank borrowings	17	40,000	40,000
Financial liability at fair value through profit or loss (“FVTPL”)	18	57,766	9,852
		222,990	130,614
Net current assets		541,552	490,835
Total assets less current liabilities		551,839	501,244
Capital and reserves			
Share capital	19	568,571	486,674
Reserves		(16,732)	14,570
Total equity		551,839	501,244

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							Total HK\$'000
	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)	
At 1 January 2014 (Audited)	41,181	438,855	123,758	(955)	(101,690)	2,972	(767)	503,354
Profit for the period	-	-	-	-	3,276	-	-	3,276
Other comprehensive income for the period	-	-	-	(2)	-	-	-	(2)
Total comprehensive income for the period	-	-	-	(2)	3,276	-	-	3,274
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 3)	438,855	(438,855)	-	-	-	-	-	-
Issue of shares upon exercise of share options	1,614	-	-	-	-	(346)	-	1,268
At 30 June 2014 (Unaudited)	481,650	-	123,758	(957)	(98,414)	2,626	(767)	507,896

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note 1)	Accumulated losses HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000 (Note 2)	
At 1 January 2015 (Audited)	486,674	123,758	(109,808)	1,387	(767)	501,244
Loss and total comprehensive income for the period	-	-	(30,822)	-	-	(30,822)
Issue of shares upon exercise of share options	2,170	-	-	(480)	-	1,690
Issue of shares by placement (Note 19(b))	80,948	-	-	-	-	80,948
Transaction costs attributable to issue of shares by placement (Note 19(b))	(1,221)	-	-	-	-	(1,221)
At 30 June 2015 (Unaudited)	568,571	123,758	(140,630)	907	(767)	(551,839)

Notes:

- Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong had approved the reduction of the Company's capital and the cancellation of the Company's share premium account. The credit arising from the reduction of the share capital account and cancellation of the share premium account, after eliminated against the accumulated loss, in the aggregate amount of HK\$123,758,200 was 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 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.
- Other reserve represented the negative differences between the purchase considerations and the amounts acquired from non-controlling interests arising from acquisitions of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited respectively completed in 2012.
- The Company had no authorised share capital and its shares had no par value under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash (used in) generated from operating activities	(133,679)	13,725
Cash flows from investing activities		
Purchase of property and equipment	(1,480)	(71)
Payment of statutory deposits	(3,663)	(1,371)
Refund of statutory deposits	1,887	2,579
Other investing cash flows	227	160
Net cash (used in) generated from investing activities	(3,029)	1,297
Cash flows from financing activities		
New short-term bank borrowings	–	40,000
Proceeds from exercise of share options	1,690	1,268
Proceeds from issue of shares by placement	80,948	–
Payments for transaction costs attributable to issue of shares by placement	(1,221)	–
Net cash generated from financing activities	81,417	41,268
Net (decrease) increase in cash and cash equivalents	(55,291)	56,290
Cash and cash equivalents at the beginning of period	228,297	152,898
Effect of exchange rate changes on the balance of cash held in foreign currencies	–	(2)
Cash and cash equivalents at the end of period, represented by bank balances and cash	173,006	209,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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 2015 are the same as those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("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 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or the disclosures set out in these 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	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Brokerage commission and other related fee from dealing in securities, futures and options contracts	29,419	21,623
Underwriting, sub-underwriting, placing and sub-placing commission	1,639	1,910
Arrangement, management, advisory and other fee income	3,781	1,451
Interest income from clients	16,111	15,849
	50,950	40,833
Other income		
Interest income from authorised institutions	219	203
Interest income from convertible bond receivable	1,948	1,738
Sundry income	–	1
	2,167	1,942
Total income	53,117	42,775

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 financing businesses, 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 below:

- (i) the brokerage and financing 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 tables represent revenue and results information of these operating segments for the six months ended 30 June 2015 and 2014.

Six months ended 30 June 2015 (Unaudited)

	Brokerage and financing HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	47,169	3,781	-	50,950	-	50,950
Inter-segment sales	-	80	-	80	(80)	-
	47,169	3,861	-	51,030	(80)	50,950
Segment profit (loss)	5,221	(968)	(479)	3,774	-	3,774
Elimination of intra-group costs						7,593
Central administrative costs						(11,556)
Fair value change on financial liability at FVTPL						(47,914)
Net unrealised gain on investments held for trading						17,400
Loss before taxation for the period						(30,703)

Six months ended 30 June 2014 (Unaudited)

	Brokerage and financing HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue	39,782	1,051	-	40,833	-	40,833
Inter-segment sales	-	420	-	420	(420)	-
	39,782	1,471	-	41,253	(420)	40,833
Segment profit (loss)	1,945	(3,552)	(128)	(1,735)	-	(1,735)
Elimination of intra-group costs						8,125
Central administrative costs						(10,717)
Fair value change on derivative financial asset						(2,254)
Fair value change on financial liability at FVTPL						9,933
Profit before taxation for the period						3,352

Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group costs, central administrative costs, fair value change on financial liability at FVTPL, net unrealised gain on investments held for trading and fair value change on derivative financial asset. 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 2015 and 2014, no single customer amounted 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 2015 and 2014. All of its non-current assets are attributed to the operations in Hong Kong as at 30 June 2015 and 31 December 2014.

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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Staff commission	15,030	11,213
Salaries and wages	17,776	16,420
Staff welfare	820	860
Recruitment costs	59	30
Provision of long service payment/annual leave benefits	156	387
Retirement benefits scheme contributions	680	595
	34,521	29,505

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Fair value change on derivative financial asset (Note 14)	–	(2,254)
Fair value change on financial liability at FVTPL (Note 18)	(47,914)	9,933
Net unrealised gain on investments held for trading (Note 12)	17,400	–
Gain on disposal of property and equipment	–	6
Net exchange loss	(13)	(30)
	(30,527)	7,655

6. INCOME TAX EXPENSE

The tax charge of approximately HK\$119,000 to the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 represents the provision of Hong Kong Profits Tax (six months ended 30 June 2014: HK\$76,000). Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

At 30 June 2015, the Group has estimated unused tax losses and taxable temporary differences of approximately HK\$239,181,000 and HK\$913,000 respectively (31 December 2014: HK\$236,877,000 and HK\$105,000 respectively).

No deferred tax asset has been recognised as at 30 June 2015 and 31 December 2014 in respect of the estimated unused tax losses as it is uncertain whether sufficient future taxable profits including those that will arise from the reversal of existing taxable temporary differences will be available in the future to offset the amount. These taxable 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) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Included in other operating expenses:		
Auditor's remuneration	515	500
Operating leases in respect of land and buildings	3,848	3,843
	<u>3,848</u>	<u>3,843</u>

8. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
((Loss) profit for the period attributable to owners of the Company)	(30,822)	3,276
	'000	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	492,141	412,365
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	2,074
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	492,141	414,439

The diluted loss per share for the six months ended 30 June 2015 are computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive. The diluted earnings per share for the six months ended 30 June 2014 are computed excluding the effects of warrants as the exercise of the Company's warrants are anti-dilutive.

10. PROPERTY AND EQUIPMENT

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
	Carrying value, at beginning of the period/year	2,587
Additions	1,480	193
Depreciation	(748)	(1,634)
Carrying value, at end of the period/year	3,319	2,587

11. ACCOUNTS RECEIVABLE

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions:		
Clearing house and brokers (<i>Note a</i>)	7,904	40,847
Cash clients (<i>Note b</i>)	111,219	25,420
Margin clients (<i>Note c</i>)	357,778	232,799
Futures and options contracts transactions:		
Clearing house	10	10
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services (<i>Note d</i>)	24	709
Accounts receivable arising from the ordinary course of business of money lending services (<i>Note e</i>)	20,000	20,170
	496,935	319,955

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' creditworthiness. 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 below:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Neither past due nor impaired	495,246	317,733
Past due but not impaired (<i>Note f</i>)	1,689	2,222
Impaired	–	–
	496,935	319,955
Less: Allowance for impairment (<i>Note g</i>)	–	–
	496,935	319,955

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, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date. 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, futures and options contracts transactions, except for those amounts due from margin clients, the aging analysis based on the trade date is as below:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within 30 days	117,444	64,455
31 – 90 days	1,230	111
Over 90 days	459	1,711
	119,133	66,277

As at 30 June 2015, accounts receivable of approximately HK\$710,000 (31 December 2014: HK\$720,000) was due from directors of the Group and close family members of these directors in respect of transactions in securities undertaken for their accounts.

Notes:

- (a) Accounts receivable due from brokers bear interest at commercial rates.
- (b) As at 30 June 2015, accounts receivable due from cash clients were secured by clients' pledged listed securities which carried a fair value of approximately HK\$871,584,000 (31 December 2014: HK\$299,030,000) in relation to the receivables of approximately HK\$111,219,000 (31 December 2014: HK\$25,420,000) that were not impaired. As at 30 June 2015 and 31 December 2014, no accounts receivable due from cash clients were 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 2015, accounts receivable due from margin clients were secured by clients' pledged listed securities which carried a fair value of approximately HK\$1,699,526,000 (31 December 2014: HK\$934,088,000) in relation to the receivables of approximately HK\$357,778,000 (31 December 2014: HK\$232,799,000) that were not impaired. As at 30 June 2015 and 31 December 2014, no accounts receivable due from margin clients were impaired.

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals 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) The settlement terms of accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services are due immediately from date of billing but the Group will grant a normal credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as below:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within 30 days	24	309
31 – 90 days	–	400
	24	709

- (e) As at 30 June 2015, accounts receivable arising from the ordinary course of business of money lending services were secured and bear fixed-rate interest at 1.2% (31 December 2014: 1.7%) per month. The accounts receivable as at 30 June 2015 and 31 December 2014 had remaining contractual maturity date falling within one year and were secured by clients' pledged listed equity securities and/or the corporate/personal guarantees provided by the clients' holding company/shareholder. The management was satisfied with the credit quality of the accounts receivable.

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
31 – 90 days	1,230	511
Over 90 days	459	1,711
	1,689	2,222

As at 30 June 2015, these receivables included cash clients' receivables of approximately HK\$1,689,000 (31 December 2014: HK\$1,822,000). No impairment loss had been provided as the fair values of the securities collateral held by the Group for these balances were generally over the relevant carrying amounts.

As at 31 December 2014, the remaining balance of accounts receivable of approximately HK\$400,000 were receivables arising from the corporate financial advisory services. The Group had not provided for any impairment loss as the management was satisfied with the credit quality of the accounts receivable.

- (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 were as below:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
At beginning of the period/year	–	58
Reversal of impairment loss, net	–	(55)
Amounts written off as uncollectible	–	(3)
	<hr/>	<hr/>
At end of the period/year	–	–
	<hr/>	<hr/>

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.

12. INVESTMENTS HELD FOR TRADING

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Equity securities listed in Hong Kong, at market value	27,900	10,500
	<hr/>	<hr/>

13. CONVERTIBLE BOND RECEIVABLE

On 3 July 2013, the Company subscribed a non-listed Hong Kong dollar denominated convertible bond in a principal amount of HK\$20,000,000 issued by a company listed on the Stock Exchange. The convertible bond carries an interest at 8% per annum and will be matured on the second anniversary of its issue date. As at 30 June 2015, the convertible bond had not been converted. On 2 July 2015, the convertible bond matured and both principal and accrued interests were fully settled in cash.

The convertible bond is split between the loan portion and equity conversion option. Subsequent to the initial recognition, the loan portion of the convertible bond was carried at amortised cost and the effective interest rate was 22.23% per annum.

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Loan portion		
Carrying amount at end of the period/year	19,987	18,833

14. DERIVATIVE FINANCIAL ASSET

The convertible bond as disclosed in Note 13 includes embedded equity conversion option. The embedded derivative is separated from the convertible bond and accounted for as derivative financial asset in the unaudited condensed consolidated statement of financial position, which is measured at fair value with changes in fair value recognised in profit or loss and is determined using the Binomial pricing model. The fair value of the embedded derivative as at 31 December 2014 was recognised in accordance with valuation report prepared by an independent professional valuer with the following inputs into the model:

	As at 31 December 2014 (Audited)
Spot price of the underlying share	HK\$0.226
Conversion price	HK\$0.79
Risk free rate (a yield of 0.51 year Hong Kong Exchange Fund Notes)	0.061%
Expected volatility (historical volatility of the share price of the comparable companies over the previous 1 year)	56.76%

The movement of the fair value of the embedded derivative was as below:

	HK\$'000
At 1 January 2014 (Audited)	2,570
Fair value change recognised in profit or loss	(2,570)
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited)	—

15. 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 2015, the Group maintained segregated accounts at one clearing house of approximately HK\$2,572,000 (31 December 2014: HK\$1,661,000) and at other authorised institutions of approximately HK\$241,656,000 (31 December 2014: HK\$186,399,000) 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.

16. ACCOUNTS PAYABLE

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions (<i>Notes a and b</i>):		
Clearing house	56,771	–
Cash clients	53,082	68,293
Margin clients	3,759	2,358
	113,612	70,651

Notes:

- (a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. In the opinion of the Directors of the Company, no aging analysis is disclosed as it is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.
- (b) As at 30 June 2015, accounts payable of approximately HK\$227,000 (31 December 2014: HK\$440,000) was due to directors of the Group and close family members of these directors in respect of transactions in securities undertaken for their accounts.

17. SHORT-TERM BANK BORROWINGS

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 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.

18. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

On 2 August 2013, the Company placed and issued 80,000,000 non-listed 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. As at 30 June 2015, the 80,000,000 Warrants were outstanding.

The Warrants are classified as financial liability at fair value through profit or loss and are measured at fair value with change in fair value recognised in profit or loss.

The fair value of the Warrants was calculated using the Binomial pricing model in accordance with valuation report prepared by an independent professional valuer. The parameters were as below:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Spot price of the Company	HK\$1.92	HK\$1.06
Risk free rate	0%	0.074%
Expected volatility	73.95%	53.909%
Dividend yield	0%	0%
Warrant life	0.08 year	0.58 year

Risk free rate was determined with reference to the yield of 0.08 year and 0.58 year Hong Kong Exchange Fund Notes as at valuation dates of 30 June 2015 and 31 December 2014 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous year for both dates.

The movement of the fair value of the Warrants was as below:

	<i>HK\$'000</i>
At 1 January 2014 (Audited)	19,623
Fair value change recognised in profit or loss	(9,771)
	<hr/>
At 31 December 2014 (Audited)	9,852
Fair value change recognised in profit or loss	47,914
	<hr/>
At 30 June 2015 (Unaudited)	57,766

19. SHARE CAPITAL

	Issued and fully paid Ordinary shares	
	Number of shares	Amount HK\$'000
At 1 January 2014 (Audited)	411,806,829	41,181
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance (<i>Note a</i>)	–	438,855
Issue of shares upon exercise of share options	6,360,000	6,638
At 31 December 2014 (Audited)	418,166,829	486,674
Issue of shares upon exercise of share options	1,500,000	2,170
Issue of shares by placement (<i>Note b</i>)	82,600,000	80,948
Transaction costs attributable to issue of shares by placement (<i>Note b</i>)	–	(1,221)
At 30 June 2015 (Unaudited)	502,266,829	568,571

Notes:

- (a) In accordance with the transitional provisions set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account had become part of the Company's share capital.
- (b) On 18 December 2014, the Company entered into a placing agreement with a placing agent regarding the placement of, on a best effort basis, up to an aggregate of 82,600,000 new shares to not less than six placees who are independent private investors at an issue price of HK\$0.98 per placing share which represented a discount of about 5.77% to the closing market price of the Company's shares on the same date. The placement was completed on 21 January 2015 and a total of 82,600,000 new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 29 May 2014. The 82,600,000 new shares rank *pari passu* with other shares in issue in all respects. The Company intended to use the net proceeds of approximately HK\$79.7 million from the placement for general working capital of the Group; expanding the margin financing and money lending business; and possible investment in the future when opportunities arise.

20. FINANCIAL GUARANTEE

As at 30 June 2015, 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 2014: HK\$130 million). As at 30 June 2015, HK\$40 million banking facilities was utilised by VC Brokerage Limited (31 December 2014: HK\$40 million). The fair value of the financial guarantee contract is immaterial.

21. COMMITMENTS

(a) Capital commitments

As at 30 June 2015 and 31 December 2014, the Group had made commitments contracted but not provided for of approximately HK\$1,178,000 and HK\$133,000 respectively in respect of purchase of property and equipment.

(b) Commitments under operating leases

As at 30 June 2015 and 31 December 2014, the Group had made commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as below:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within one year	5,653	7,791
In the second to fifth years inclusive	—	1,984
	5,653	9,775

Operating lease payments represent rental payable by the Group for certain of its office and apartment premises. Rentals are fixed for lease terms of 2.5 to 3 years as at 30 June 2015 (31 December 2014: 0.5 to 3 years).

22. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2015 and 2014, the Group entered into the following transactions with related parties:

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	188	116

The balances with related parties are set out in Notes 11 and 16.

23. EVENTS AFTER THE REPORTING PERIOD

In respect of the financial liability at fair value through profit or loss as disclosed in Note 18, the 80,000,000 Warrants which were placed and issued in August 2013 was outstanding as at 30 June 2015. In late July 2015, 47,200,000 Warrants out of the 80,000,000 Warrants were exercised. Accordingly, the Company had issued 47,200,000 subscription shares, representing approximately 8.59% of the aggregated number of issued ordinary shares of the Company as enlarged by the issue and allotment of the subscription shares, which providing the aggregate net proceeds of approximately HK\$56.6 million to the Company. The Company intends to use the proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. Meanwhile, the balance of 32,800,000 Warrants expired on 1 August 2015. Upon the exercise and expiry of the Warrants as aforementioned, the Group's net loss on the fair value changes and the expiry of the Warrants is estimated to be approximately HK\$0.7 million for 2015 against the net loss on the fair value changes of approximately HK\$47.9 million for the six months ended 30 June 2015.

On 6 August 2015, it was announced that the Company is in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company ("Possible Transaction"). The Possible Transaction may result in the introduction of a controlling shareholder and a change in control of the Company under the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs. As at the date of this report, discussions are still in progress and the parties have not agreed on any terms of the Possible Transaction. No legally binding agreement for the Possible Transaction has been entered into between the parties.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's investments held for trading, derivative financial asset and financial liability at FVTPL are measured at fair value at the end of each reporting period. The fair value of investments held for trading is determined based on the quoted market price available on the Stock Exchange. The fair values of derivative financial asset and financial liability at FVTPL are determined in accordance with Binomial pricing model. Details of these financial asset and financial liability are disclosed in Notes 12, 14 and 18.

Fair value hierarchy

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2015 (Unaudited)				
Investments held for trading	27,900	–	–	27,900
Derivative financial asset	–	–	–	–
Financial liability at FVTPL	–	57,766	–	57,766
	<i>Level 1</i> <i>HK\$'000</i>	<i>Level 2</i> <i>HK\$'000</i>	<i>Level 3</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 31 December 2014 (Audited)				
Investments held for trading	10,500	–	–	10,500
Derivative financial asset	–	–	–	–
Financial liability at FVTPL	–	9,852	–	9,852

There were no transfers between levels of the fair value hierarchy in the current and prior periods.

Reconciliation of Level 3 fair value measurements of derivative financial asset

	<i>HK\$'000</i>
At 1 January 2014 (Audited)	2,570
Loss on fair value change recognised in profit or loss	(2,254)
	<hr/>
At 30 June 2014 (Unaudited)	316
	<hr/>
At 1 January 2015 (Audited) and 30 June 2015 (Unaudited)	–
	<hr/>

OTHER INFORMATION

INTERIM DIVIDEND

The Directors of the Company (the “Director(s)”) do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 22 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 had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2015 or at any time during such period.

DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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 the Company

Name of Director	Capacity	Nature of Interest	Number of ordinary shares held	Approximate % of total number of issued ordinary shares
Mr. Chau King Fai, Philip	Beneficial owner	Personal	3,269,869	0.65%
Ms. So Wai Yee, Betty	Beneficial owner	Personal	202,000	0.04%
Mr. Chung Chi Shing, Eric	Held by controlled corporation (Note 2)	Corporation	75,000,000	14.93%
	Beneficial owner	Personal	16,352,000	3.26%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	0.10%

(b) *Share Options of the Company*

Name of Director	Number of share options					Approximate % of total number of issued ordinary shares	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2015				
Mr. Tin Ka Pak, Timmy	500,000	-	(500,000)	-	-	-	24 September 2012	24 September 2012 – 23 September 2015	1.17
Mr. Chau King Fai, Philip	750,000	-	-	-	750,000	0.15%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Mr. Cheng Tze Kit, Larry	1,000,000	-	-	-	1,000,000	0.20%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Ms. So Wai Yee, Betty	500,000	-	-	-	500,000	0.10%	24 September 2012	24 September 2012 – 23 September 2015	1.17
Mr. Ip Chun Chung, Robert	500,000	-	(500,000)	-	-	-	6 June 2012	6 June 2012 – 5 June 2015	1.04
Total	3,250,000	-	(1,000,000)	-	2,250,000	0.45%			

Notes:

- As at 30 June 2015, the total number of issued ordinary shares of the Company was 502,266,829.
- Mr. Chung Chi Shing, Eric is taken to be interested in 75,000,000 ordinary shares of the Company as a result of him being beneficially interested in the entire issued share capital of Power Global Group Limited which in turn holds approximately 14.93% of the total number of issued ordinary shares of the Company as at 30 June 2015.
- The share options mentioned above represent personal interests held by the relevant Directors of the Company as beneficial owners.
- During the six months ended 30 June 2015, no share options mentioned above were cancelled.

Save as disclosed above, as at 30 June 2015, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2015, none of the Directors 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 30 June 2015, 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 total number of issued ordinary shares 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 the Company

Name	Capacity	Number of ordinary shares held	Approximate % of total number of issued ordinary shares	Notes
West Kingdom Investments Limited	Beneficial owner	32,904,000	6.55%	–
Mr. Han Hanting	Held by controlled corporation	32,904,000	6.55%	2
Power Global Group Limited	Beneficial owner	75,000,000	14.93%	–

Notes:

1. As at 30 June 2015, the total number of issued ordinary shares of the Company was 502,266,829.
2. Mr. Han Hanting is taken to be interested in 32,904,000 ordinary shares of the Company as a result of him being beneficially interested in the entire issued share capital of West Kingdom Investments Limited which in turn holds approximately 6.55% of the total number of issued ordinary shares of the Company as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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 SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2009, the Company adopted a share option scheme (the “Share Option Scheme”). Movements of the share options, which were granted under the Share Option Scheme, during the six months ended 30 June 2015 were set out below:

Category of participant	Number of share options					Date of grant	Share options duration	Exercise Price HK\$
	Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2015			
Directors	500,000	-	(500,000)	-	-	6 June 2012	6 June 2012 – 5 June 2015	1.04
Directors	2,750,000	-	(500,000)	-	2,250,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,250,000	-	(1,000,000)	-	2,250,000			
Employees	1,000,000	-	(500,000)	-	500,000	24 September 2012	24 September 2012 – 23 September 2015	1.17
Total	4,250,000	-	(1,500,000)	-	2,750,000			

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.

During the six months ended 30 June 2015, no share options were cancelled under the Share Option Scheme.

Details of the grant of share options to the Directors 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 attract skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in 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. 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 2015, 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 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. Having made specific enquiry of the Directors, 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 2015.

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 complied with the code provisions set out in the Corporate Governance Code (the "CG Code") during the six months ended 30 June 2015, which were contained in Appendix 14 of the Listing Rules, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the annual general meeting of the Company held on 24 May 2012, the office of the Chairman of the Board has been vacant. Mr. Tin Ka Pak, Timmy, Chief Executive Officer of the Company, has taken up the roles and functions of the Chairman.

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 are not appointed for specific term. However, pursuant to the provisions of the Articles of Association of the Company, all Directors, including Non-executive Directors, 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.

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 are given at the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Company's Audit Committee 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, MH. The primary duties of the Audit Committee are to (i) review the Group's financial statements and published reports; (ii) provide advice and comments thereon to the Board; and (iii) 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 2015 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 2015.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.