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

Annual Report 2015

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$^{\Delta}$
Ms. FUNG Wai Har, Amanda$^{\Delta}$
Mr. WONG Man Hin, Charles$^{\Delta}$

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$^{\Delta}$
Ms. FUNG Wai Har, Amanda$^{\Delta}$

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

Regulatory Compliance Committee

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

Authorised Representatives

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

Company Secretary

Ms. WONG Yee Wah, Daphne

Registered Office/Principal Place of Business

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

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited
Bank of China (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

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CEO'S STATEMENT

Year 2015 was a year of mixed opportunities and volatilities in the local capital market. The operating environment for Hong Kong's financial industry was strong in the first seven months of 2015, especially in the second quarter in which the local stock market's average daily trading turnover was approximately HK$164.9 billion. It had increased by about 187% as compared with the same period in 2014. However, the local market experienced a moderate decline as global economic conditions, including Mainland China, started to wobble from the third quarter of 2015. Nevertheless, I am pleased to report another year of progress for the Group in which the Group had improved consolidated revenue year by year and maintained a stable core structure. Underpinning these were our excellent customer services, continued like-for-like revenue growth trends and the Group's ongoing focus on improving operational efficiency. The progress made by the Group during the year against a backdrop of global economic volatilities and fluctuating momentum, especially in the fourth quarter of 2015, was still encouraged. I am immensely proud of the hard work and commitment to achieve these goals shown by my colleagues across the Group.

While the financial-oriented nature of VC Group makes it particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying our core businesses including securities, futures and options brokering and dealing, financing services and corporate finance services; capitalizing on the significant growth opportunities and thereon delivering shareholder value from our strength. Our continued efforts in enhancing the Group's capabilities were reflected in the constant growth in revenue from our core businesses in the past few years, notably in our brokerage and financing businesses.

Meanwhile, the Group's financial position had significantly strengthened in 2015, in which a total net cash proceeds of approximately HK$136.4 million was received through the allotments of an aggregate of 129.8 million new shares to certain placees who are independent parties and certain warrants holders of the Company. The increase of financial resources definitely not only helps the Group to reinforce and expand the existing core businesses, it broadens the Group's shareholders' portfolio and enhances the Group's flexibility in future business developments or investments as and when opportunities arise. I believe that with a sound financial based, the Group is in a better position to seize any opportunities that to deliver greater returns for our shareholders.

Looking ahead, Year 2016 is likely to remain 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. While the local stock market started undergoing some extent of corrections and adjustments from the second half of 2015 due to the some major global economies stayed sluggish and these were continued at the beginning of 2016, our countering strategies will remain unchanged by enlarging our revenue base through fostering our core businesses and tapping into new emerging markets with expanded business initiatives. The Group has constantly explored business opportunities in the PRC market. 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.

In closing, on behalf of my fellow Directors, I wish to express our sincere appreciation and wholehearted gratitude to the management team and all staff of the Group for their professional dedication, commitment and contributions which keep the Group competitive in the industry throughout the year. I would also like to extend our sincere thanks to our shareholders and stakeholders for their confidence and continuous support in this challenging year. As always, we strive for creating greater value for our shareholders and investors.

Tin Ka Pak, Timmy
Chief Executive Officer and Executive Director

Hong Kong
29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited (the "Company") and its subsidiaries (collectively "VC Group" or the "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, and 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 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. However, the market once again experienced a moderate decline as global economic conditions started to wobble from the third quarter of 2015 when investors reacted to the negative development in Greece debt crisis, specifically to the uncertain future in Euro, and the equity rout happened in Mainland China capital market. Investors' sentiment was strongly hit by these twin worries and was then never picked up again in the rest of 2015. These were all reflected in the movements of 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. Unfortunately, the local stock market experienced a gradual decline in the second half of 2015, in which the average daily trading turnover was even down to approximately HK$101.5 billion in the third quarter and further to HK$71.9 billion in the fourth quarter of 2015. Overall, the local stock market's average daily trading turnover for 2015 was approximately HK$105.6 billion, which was still about 52% significantly higher than that of 2014. This was also reflected in the Hang Seng Index (the "HSI"), which hit a record high of 28,442 closed on 28 April 2015 but once plunged the biggest one-day drop by 5.8% on 8 July 2015 since the financial tsunami in October 2008. As at 31 December 2015, the HSI closed at 21,914, which was much lower as compared with 26,250 as at 30 June 2015 and 23,605 as at 31 December 2014.

Meanwhile, the total market capitalization of local stock market also reached an all-time high of approximately HK$31,549.9 billion on 26 May 2015, but had decreased to approximately HK$24,683.7 billion as at 31 December 2015 from approximately HK$29,080.5 billion and HK$25,071.8 billion as at 30 June 2015 and 31 December 2014 respectively. Fortunately, the total fund raised in Hong Kong was still managed to be approximately HK$1,109 billion in 2015, which was about 18% higher than that of 2014.

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 ("SHK Stock Connect") since November 2014. The SHK Stock Connect enabled Mainland Chinese investors to invest in selected companies listed in Hong Kong while also 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 is an attractive opportunity to increase cash flows from Mainland Chinese investors who are seeking to diversify 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 in the first half of 2015.

Management Discussion and Analysis

As a financial services provider, the business performance of the Group in 2015 was certainly 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 these consolidated the Group as a competitive player in the financial industry. While the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group's core businesses including (i) securities, futures and options brokering and dealing, and financing services (including local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, placement and underwriting, margin financing and money lending, etc.); (ii) corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions; and (iii) asset management. 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.

On 6 August 2015, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of the Company's new securities which 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. However, on 26 November 2015, the Company further announced that the discussions between the potential investor and the Company had ceased. No formal or legally binding agreement had been entered into between the two parties and the transaction would not proceed. The Company will continue to explore any opportunity, including but not limited to seeking the potential investors, so to uplift the shareholders' value.

Details of the Group's business performance of each operating segment for the year ended 31 December 2015, together with the comparative figures of the corresponding period in 2014, are given in the section "FINANCIAL REVIEW" below.

OUTLOOK

Looking ahead, Year 2016 is likely to remain 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 the third quarter of 2015 due to the twin worries of Greece's uncertain future in Euro and the continued slumps in the Mainland China's capital market and had then never experienced a strong rebound in the rest of 2015. And the downturn was continued at the beginning of 2016. Investors are reminded to watch the market closely and avoid taking excessive risks. Having said that, the ongoing economic and financial reforms happened in 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 China's capital market, however, it still has a long way to go. Further, the forthcoming launch of Shenzhen-Hong Kong Stock Connect, which is still pending for regulatory approval, may also provide such positive impact.

Our business strategies continue 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. The Group will continue to explore the business opportunities in the PRC market. At the same time, the Group also keeps 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.

LONG-TERM BUSINESS STRATEGY

The Group's core businesses remain competitive with a focus on securities, futures and options brokering and dealing, financing services, corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, as well as asset management.

Throughout 2015, the Group did not make any significant changes to its business strategy. Despite market volatility, the Group safeguarded its competitive edge due to a number of factors: clients established over the years, diverse premium services that cater to clients' needs, competitive fees and a proactive and professional team that is dedicated to innovation and exploration of new markets to drive greater business returns for the investors and shareholders.

With the successful placing of 82.6 million new shares of the Company at an issue price of HK$0.98 each completed in January 2015 and the exercise of the subscription rights attaching to 47.2 million warrants of the Company for new shares issued at a subscription price of HK$1.20 each in late July 2015 which providing net cash proceeds of approximately HK$79.7 million and HK$56.6 million to the Company respectively, the Company will use the proceeds to reinforce its existing core businesses, expand the financing services, seek for any investment opportunities and other general working capital of the Group. Details of the actual use of these proceeds during the year ended 31 December 2015 are given in the section "Liquidity and financial resources/capital structure" under "FINANCIAL REVIEW" below.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's consolidated revenue was approximately HK$79.8 million which increased by about 2% as compared with the same period in 2014. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$12.6 million for the year ended 31 December 2015 against a loss of approximately HK$8.3 million for the same period in 2014, representing an increase of about 51%. The increase in the Group's consolidated loss attributable to shareholders in 2015 was mainly attributable to (i) the Group's operating performance, specifically from its brokerage and financing businesses, had been adversely affected by the poor global and local economic and market conditions in the second half of 2015; (ii) the increase in corporate expenses incurred for the Group's business development; and (iii) the recognition of the net loss of approximately HK$0.7 million on fair value changes in relation to 80 million non-listed warrants (the "Warrant(s)") issued by the Company in August 2013 as compared with the net gain of approximately HK$7.2 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. All these financial effects had been partially offset by the net gain of approximately HK$8.7 million from the Group's investments held for trading in 2015 as compared with approximately HK$0.8 million for the same period in 2014.

Nevertheless, if excluding the major non-recurring and/or non-operating nature items for both periods such as (i) the net loss/gain on the fair value changes of the Warrants and the Convertible Bond as abovementioned for both periods; (ii) the loss of approximately HK$1 million on deregistration of a subsidiary in 2014; and (iii) the impairment loss of approximately HK$2.8 million on the investment cost and the loan to a private entity in which the Group held as an available-for-sale investment in 2014, the Group generated a consolidated operating loss after tax of approximately HK$11.9 million for the year ended 31 December 2015 against a loss of approximately HK$11.7 million for the same period in 2014, representing an increase of about 2% only.

Meanwhile, it was noted that the Group recorded a consolidated profit attributable to shareholders of approximately HK$18.2 million for the six months ended 31 December 2015 as compared to the consolidated loss of approximately HK$30.8 million for the six months ended 30 June 2015. However, such positive financial result in the second half of 2015 was mainly attributable to the substantial decrease in the net loss on the fair value changes of the Warrants. The Group's net gain on the fair value changes of the Warrants was approximately HK$47.2 million in the second half of 2015 upon the exercise of subscription rights attaching to 47.2 million Warrants for new shares in late July 2015 and the expiry of the balance of 32.8 million Warrants on 1 August 2015 as compared to the net loss of approximately HK$47.9 million in the first half. Excluding the Warrants' financial effect, the Group's operating performance in the second half of 2015 was indeed significantly worse than that of the first half, which was badly impacted by the downward momentum brought about by the poor global and local economic and market conditions as mentioned in the section "BUSINESS REVIEW" above.

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

	2015		2014		
		Proportion of total revenue		Proportion of total revenue	Increase (decrease)
	HK$'000	**%**	*HK$'000*	*%*	*%*
Revenue from:					
Brokerage and Financing	**73,438**	**92%**	75,469	97%	(3%)
Brokerage commission and other related fee	**43,677**	**55%**	42,537	54%	3%
Underwriting, sub-underwriting, placing and sub-placing commission	**1,690**	**2%**	2,188	3%	(23%)
Interest income from brokerage clients	**24,542**	**31%**	22,099	28%	11%
Interest income from money lending clients	**3,529**	**4%**	8,245	11%	(57%)
Others	**–**	**–**	400	1%	(100%)
Corporate Finance	**6,357**	**8%**	2,685	3%	137%
Asset Management	**–**	**–**	–	–	–
Total revenue	**79,795**	**100%**	78,154	100%	2%

	2015 HK$'000	2014 HK$'000
Segment results:		
Brokerage and Financing	**362**	983
Corporate Finance	**(3,937)**	(6,848)
Asset Management	**(1,475)**	(298)
Group segment loss	**(5,050)**	(6,163)
Net unallocated costs	**(15,490)**	(6,123)
Fair value change on financial liability at fair value through profit or loss	**(670)**	9,771
Fair value change on derivative financial asset	**–**	(2,570)
Net realised and unrealised gain on investments held for trading	**8,667**	789
Loss on deregistration of a subsidiary	**–**	(956)
Impairment loss on investment cost/loan to available-for-sale investments	**–**	(2,828)
Loss before taxation	**(12,543)**	(8,080)
Income tax expense	**(32)**	(223)
Loss for the year attributable to shareholders of the Company	**(12,575)**	(8,303)

Brokerage and Financing

In 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 year ended 31 December 2015, the brokerage and financing businesses recorded total revenue of approximately HK$73.4 million as compared with approximately HK$75.5 million for the same period last year, representing a decrease of about 3% and accounted for about 92% of total revenue. The Group's major revenue stream, brokerage commission income and other related fee from dealing in securities, futures and options contracts for the year ended 31 December 2015 increased slightly to approximately HK$43.7 million from approximately HK$42.5 million for the same period last year, representing an increase of about 3% and accounted for about 55% of total revenue. It reflected that the Group's brokerage business keeps growing, although to a much lesser extent this year, with the fluctuated local stock market conditions as mentioned in the section "BUSINESS REVIEW" above.

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2015 decreased by about 7% to approximately HK$28.1 million from approximately HK$30.3 million for the same period last year and accounted for about 35% of total revenue. The revenue included the interest income derived from brokerage business and the interest income derived from money lending business. Among these, the Group's interest income from our brokerage clients recorded approximately HK$24.5 million for the year ended 31 December 2015, representing a growth of about 11% as compared with the same period last year. The growth was mainly contributed by the increase of the average loan portfolio of our brokerage clients by about 14% for the year ended 31 December 2015 as compared with 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 money lending services to our clients for the year ended 31 December 2015, which recorded approximately HK$3.5 million as compared with approximately HK$8.2 million for the same period last year, representing a significant decrease of about 57%. The decrease was mainly because the Group allocated 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. Furthermore, in view of the local economic downturn in the second half of 2015, the Group had taken a much more cautious approach in the provision of money lending services to our clients. As such, the average loan portfolio of the money lending business for the year ended 31 December 2015 had decreased by about 58% as compared with the same period last year.

The Group has implemented effective credit control policies and procedures to review our clients' creditworthiness and credit limits from time to time so as to minimize our credit risk exposure. The credit policies and procedures 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. For the year ended 31 December 2015, there was no recognition of impairment loss for accounts receivable in accordance with the Group's credit policies and procedures (2014: reversal of impairment loss of approximately HK$55,000).

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 year ended 31 December 2015, the Group's placing and underwriting commission was approximately HK$1.7 million as compared with approximately HK$2.2 million for the same period last year.

Overall, the operating profit before and after tax generated from the brokerage and financing businesses for the year ended 31 December 2015 were approximately HK$362,000 and HK$330,000 respectively against the operating profit before and after tax of approximately HK$983,000 and HK$760,000 respectively for the same period last year.

Corporate Finance

In 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"). In the year 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 the 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. Even though the local capital market experienced a decline in the second half of 2015, the total fund raised from the initial public offerings in Hong Kong was approximately HK$261.3 billion for the year ended 31 December 2015, which was about 12% above that of the same period in 2014. It is vital to the Group to capture the growing opportunities from the more favourable and stable local market conditions in the future.

Overall, the operating performance of the corporate finance business for the year ended 31 December 2015 improved significantly. For the year ended 31 December 2015, the Group's corporate financial advisory and related services recorded a revenue of approximately HK$6.4 million and an operating loss after tax of approximately HK$3.9 million as compared with approximately HK$2.7 million and HK$6.8 million respectively for the same period last year.

Asset Management

The Group is still pursuing new business opportunities and resources to develop 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. Nevertheless, the Group will continue to put efforts in approaching the potential clients so as to gain understanding of their needs, establish long-term business relationship with them and finally provide the personalized investment and wealth management services which can create greater value to them.

For the year ended 31 December 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$1.5 million as compared with approximately HK$0.3 million for the same period last year, which mainly included the general operating expenses such as staff costs and professional costs.

Net unallocated costs

For the year ended 31 December 2015, the net unallocated costs of the Group amounted to approximately HK$15.5 million as compared with approximately HK$6.1 million for the same period last year, which mainly included the unallocated corporate expenses, such as staff costs and related expenses, rental and utility expenses and professional costs, etc., net of intra-group transactions. The net increase in the unallocated costs in 2015 was mainly attributable to the increase in corporate expenses of approximately HK$7 million, which included staff costs, rental and utility expenses and entertainment and travel expenses incurred for the Group's business development, and also the reduction of interest income of approximately HK$3.2 million in total from the Convertible Bond which matured and was fully redeemed by the issuer in early July 2015 and intra-group interest income.

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

On 2 August 2013, the Company placed and issued 80 million non-listed 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 within two years from the date of the Warrant issued, i.e. from 2 August 2013 to 1 August 2015. The Company intends to use the net proceeds from the exercise of the subscription rights attaching to the Warrants for general working capital of the Group and/or to capture any possible investment in the future when opportunities arise. 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. In late July 2015, a total of 47.2 million Warrants were exercised. Accordingly, the Company had issued 47.2 million subscription shares. It provided the net proceeds of approximately HK$56.6 million to the Company. Meanwhile, the balance of 32.8 million Warrants expired on 1 August 2015. Upon the exercise and expiry of the Warrants, the Group recognised a net loss of approximately HK$0.7 million in profit or loss on the fair value changes for the year ended 31 December 2015 against the net gain of approximately HK$9.8 million for the same period last year. Details had been given in Note 27 to the consolidated financial statements.

Fair value change on derivative financial asset

On 3 July 2013, the Company subscribed a non-listed Convertible Bond in a principal amount of HK$20 million issued by a company listed on the Stock Exchange, which matured and was fully redeemed by the issuer on 2 July 2015, the maturity date. The Convertible Bond was split into two components including convertible bond receivable and derivative financial asset in the consolidated financial statements. As at 31 December 2014, the carrying amounts of the convertible bond receivable and derivative financial asset were approximately HK$18.8 million and zero respectively in accordance with a valuation report prepared by an independent professional valuer as at 31 December 2014. For the year ended 31 December 2014, the Group recognised a loss of approximately HK$2.6 million on fair value change of the derivative financial asset in profit or loss. Details had been given in Notes 20 and 21 to the consolidated financial statements.

Net realised and unrealised gain on investments held for trading

As at 31 December 2015, the Group held equity securities listed in Hong Kong of approximately HK$25.8 million as investments held for trading, which was stated at market value, as compared with approximately HK$10.5 million as at 31 December 2014. The Group invests mainly through purchases in the secondary market and follows strictly the internal securities investment policy adopted by the Board so as to enhance the financial returns to the shareholders and limit the risk exposure associated therewith. For the year ended 31 December 2015, the Group recognised a net gain of approximately HK$8.7 million (including the realised gain of HK$2.4 million and unrealised gain of HK$6.3 million) on the investments held for trading as compared with an unrealised gain of approximately HK$0.8 million for the same period in 2014.

Loss on deregistration of a subsidiary

Upon the deregistration of VC Capital (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company engaged in the provision of consultancy services in the PRC, completed in December 2014, the exchange reserve arising from the translation of its assets and liabilities into the presentation currency of the Group was reclassified to profit or loss making a loss of approximately HK$1 million for the year ended 31 December 2014. Details had been given in Note 11(a) to the consolidated financial statements.

Impairment loss on investment cost/loan to available-for-sale investments

The Group recognised an impairment loss of approximately HK$2.8 million on investment cost and loan (included in other receivables) to a private entity for the year ended 31 December 2014. The Group held the entity as an available-for-sale investment, which had a negative operating cash flow and sustained loss in 2014. Details had been given in Note 11(b) to the consolidated financial statements.

Income tax expense

For the year ended 31 December 2015, the income tax expense of the Group amounted to approximately HK$32,000 as compared with approximately HK$223,000 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.

Finance costs

For the year ended 31 December 2015, the finance costs of the Group amounted to approximately HK$752,000 as compared with approximately HK$726,000 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.

Headcount and employees information

As at 31 December 2015, the Group employed a total of 100 employees (31 December 2014: 92) which excluded 11 self-employed account executives for brokerage services (31 December 2014: 11) and all were located in Hong Kong. Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$44.4 million and HK$21.3 million respectively for the year ended 31 December 2015 as compared with approximately HK$38.6 million and HK$21.6 million respectively for the same period last year. Details had been given in Notes 8 and 9 to the consolidated financial statements.

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

Liquidity and financial resources/capital structure

For the year ended 31 December 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 31 December 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 31 December 2015.

As at 31 December 2015, the Group held banking facilities of HK$130 million granted from a bank to VC Brokerage Limited (31 December 2014: HK$130 million). Among the HK$130 million banking facilities, HK$80 million (31 December 2014: HK$80 million) is general short-term money market loan and current account overdraft, which is currently required to be secured by bank deposits of HK$40 million (31 December 2014: HK$40 million). The other HK$50 million (31 December 2014: HK$50 million) is short-term money market loan for margin financing business, which is required to be secured by VC Brokerage Limited's margin clients' listed securities when utilised. As at 31 December 2015, the Group utilised the general short-term money market loan of HK$40 million (31 December 2014: HK$40 million) with 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 31 December 2015, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$628.3 million (31 December 2014: HK$490.8 million), HK$350.8 million (31 December 2014: HK$228.3 million) and HK$640.5 million (31 December 2014: HK$501.2 million) respectively, representing an increase of about 28%, 54% and 28% respectively as compared with 2014. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of approximately 7.7 as at 31 December 2015 (31 December 2014: 4.8). These showed that the Group's financial position had significantly strengthened throughout 2015 by the reasons stated below.

During the year ended 31 December 2015, the Company had successfully placed out 82.6 million new shares to not less than six independent parties and 47.2 million new shares were issued to certain warrants holders of the Company. A total of approximately HK$136.4 million net cash proceeds was received from the placement and warrant exercise. Summary of the details of the placement and warrant exercise and the usage of the respective net proceeds were listed below. As at 31 December 2015, the total number of issued ordinary shares of the Company was 552,216,829 (31 December 2014: 418,166,829 shares).

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 82.6 million new shares of the Company (the "Placing Share(s)") to not less than six independent parties at an issue price of HK$0.98 per Placing Share. The issue price 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 82.6 million Placing 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 net proceeds from the placement amounted to approximately HK$79.7 million and the net issue price per Placing Share was approximately HK$0.965. The 82.6 million Placing Shares rank pari passu with other shares of the Company in issue in all respects. The Company intended to use the net proceeds from the placement for the general working capital of the Group; expanding the margin financing and money lending businesses; and possible investment in the future when opportunities arise. The Directors are of the view that the placement not only broadens the shareholders' portfolio, but also strengthens the financial position of the Group. As the Group has always been looking for new business opportunities, the funds from the placement will enhance the Group's flexibility in future business developments or investments as and when opportunities arise. As at 31 December 2015, approximately HK$33 million net proceeds was used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and approximately HK$8.7 million net proceeds was used for the settlement of corporate administrative expenses. The remaining balance of approximately HK$38 million net proceeds will be used for the Group's general working capital and/or any possible investment in the future.

As mentioned in the section "Fair value change on financial liability at fair value through profit or loss" above, a total of 47.2 million Warrants out of the 80 million Warrants were exercised in late July 2015. Thus, the Company had issued 47.2 million new shares at a subscription price of HK$1.20 each under the general mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2012. It provided net proceeds of approximately HK$56.6 million to the Company. The aggregate of the net issue price of the Warrant and the subscription price of the new share was approximately HK$1.218 each, which represented a discount of approximately 4.09% to the closing market price of the Company's shares on 15 May 2013, the date of the Warrant's placing agreement. The 47.2 million new shares rank pari passu with other shares of the Company in issue in all respects. As at 31 December 2015, the net proceeds received from the warrant exercise had not been used and will be used for the Group's general working capital and/or any possible investment in the future.

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 31 December 2015 (31 December 2014: HK$80 million).

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 year ended 31 December 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.

Contingent liabilities

As at 31 December 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 31 December 2015, banking facilities of an amount of HK$40 million was utilised by VC Brokerage Limited (31 December 2014: HK$40 million).

Gearing ratio

As at 31 December 2015, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was approximately 0.06 time (31 December 2014: 0.08 time).

Material acquisitions and disposal of subsidiaries, significant investments and their performance

For the year ended 31 December 2015, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment (2014: deregistration of the PRC subsidiary as mentioned in the section "Loss on deregistration of a subsidiary" above).

Future plans for material investments or capital assets

As at 31 December 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 31 December 2015, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment in the consolidated financial statements (31 December 2014: HK$133,000).

Event after the reporting period

On 4 January 2016, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company ("Possible Transaction"). However, on the date of this Annual Report, the Company further announced that the discussions between the potential investor and the Company had ceased. No formal or legally binding agreement for the Possible Transaction had been entered into between the parties and the transaction would not proceed.

DIRECTORS

TIN Ka Pak, Timmy

Chief Executive Officer & Executive Director

Mr. Tin, aged 39, joined the Group as Executive Director in July 2011. He has been appointed as the Chief Executive Officer of the Company on 14 May 2013. Currently, he is the chairman of the Executive Committee and a director of certain subsidiaries of the Company.

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

CHAU King Fai, Philip

Executive Director

Mr. Chau, aged 54, joined the Group in May 2004 and was appointed as Executive Director of the Company in September 2009. Currently, Mr. Chau is the Managing Director of VC Capital Limited, a wholly owned subsidiary of the Company. He is also the chairman of the Regulatory Compliance Committee, a member of the Executive Committee, Nomination Committee and Finance Committee and a director of certain subsidiaries of the Company.

Mr. Chau has over 30 years of experience in banking and corporate finance. He has held senior positions with several major international banks. Mr. Chau has been involved in numerous corporate finance transactions including floatation of various companies on stock exchanges in Hong Kong and the PRC, fund raising exercises of listed companies in the secondary market and financial advisory work of various nature for public and private companies in the Greater China region. Mr. Chau holds a bachelor degree in business administration majoring in finance from The Chinese University of Hong Kong.

CHENG Tze Kit, Larry

Chief Investment Officer & Executive Director

Mr. Cheng, aged 59, joined the Group as Non-executive Director in November 2009 and has been re-designated as Executive Director in December 2009. Currently, Mr. Cheng is the Chief Investment Officer of the Company, a member of the Executive Committee and a director of certain subsidiaries of the Company.

Mr. Cheng has over 25 years of experience in real estate development and mergers and acquisitions in Hong Kong, Canada and the PRC. He holds a Bachelor of Science (Hons) in Engineering from City University London, United Kingdom and a Master of Business Administration from the University of Management and Technology, Washington, D.C., United States. Mr. Cheng is a Chartered Engineer of United Kingdom and a member of the Institution of Mechanical Engineers, the Institution of Engineering and Technology and the Chartered Institution of Building Services Engineers.

SO Wai Yee, Betty

Chief Financial Officer & Executive Director

Ms. So, aged 34, joined the Group as Non-executive Director in November 2009 and has been re-designated as Executive Director in January 2010. Currently, she is the Chief Financial Officer of the Company, the chairman of the Finance Committee, a member of the Executive Committee and Regulatory Compliance Committee and a director of certain subsidiaries of the Company.

Ms. So has over 10 years of experience in financial industry. Before joining the Group, she worked in one of the major international accounting firms in Hong Kong and was a financial controller in a company listed in the Stock Exchange. She holds a Bachelor of Business Administration (Accounting & Finance) degree from The University of Hong Kong. Ms. So is a fellow member of the Hong Kong Institute of Certified Public Accountants.

LIN Hoi Kwong, Aristo

Executive Director

Mr. Lin, aged 45, joined the Company as Director of China Affairs in January 2014 and has been appointed as the Executive Director of the Group in April 2015. Currently, he is a member of the Executive Committee and a director of a subsidiary of the Company. Mr. Lin is the Honorary Consul of The Republic of Vanuatu in Hong Kong, a director of China Fortune Foundation Limited and Coffee Assembly Limited and the honorary secretary of Hong Kong Skating Union Limited (the associate member of the Sports Federation and Olympic Committee of Hong Kong).

Mr. Lin holds a Bachelor Degree in Business Administration from the Thames Valley University, United Kingdom and a Master of Science Degree in Marketing from The National University of Ireland. He has over 20 years experience in corporate development and business strategy.

CHUNG Chi Shing, Eric

Non-executive Director

Mr. Chung, aged 50, joined the Group as Non-executive Director in March 2015. He has more than 25 years of working experience. Currently, he is an executive director of China Nuclear Energy Technology Corporation Limited (formerly "China Nuclear Industry 23 International Corporation Limited") (Stock Code: 611) and a general manager of several subsidiaries of GCL New Energy Holdings Limited (Stock Code: 451), both companies being listed on the Main Board of the Stock Exchange. He was an executive director of GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") from 4 July 2011 to 8 May 2014.

Mr. Chung is also the director and beneficial owner of Power Global Group Limited, the substantial shareholder of the Company.

IP Chun Chung, Robert

Independent Non-executive Director

Mr. Ip, aged 59, joined the Group as Independent Non-executive Director in March 2012. Mr. Ip is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is a practising solicitor in Hong Kong since 1985. Currently, Mr. Ip is the proprietor of Messrs. Robert C.C. Ip & Co. and the consultant with Messrs. Cheng, Yeung & Co., Solicitors. He is also the non-executive director, audit committee member and risk management committee member of Poly Property Group Co., Limited (Stock Code: 119), a company being listed on the Main Board of the Stock Exchange and the independent non-executive director, audit committee member, nomination committee member and remuneration committee member of Changhong Jiahua Holdings Limited (Stock Code: 8016), a company being listed on the GEM of the Stock Exchange.

Mr. Ip is a member of The Law Society of Hong Kong, The Law Society of England and Wales, The Law Society of Singapore and Law Society of Australia Capital Territories. He obtained his Bachelor Degree of Arts from The University of Hong Kong and studied for his Common Professional Examination and Solicitor's Final Examination in College of Law, Chester, United Kingdom and College of Law, Guildford, United Kingdom respectively. Mr. Ip has over 31 years of experience in legal aspects and more than 16 years experience in listing related and corporate, takeover, mergers and acquisition areas.

WONG Chung Kin, Quentin

Independent Non-executive Director

Mr. Wong, aged 44, joined the Group as Independent Non-executive Director in March 2012. Mr. Wong is the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. He has set up his own practice, Quentin Wong & Co. Certified Public Accountants (Practising) since 1 January 2005. Currently, Mr. Wong is an independent non-executive director, the chairman of the audit committee and the remuneration committee member of China Investment Fund Company Limited (Stock Code: 612), a company being listed on the Main Board of the Stock Exchange.

Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and Association of Chartered Certified Accountants. Meanwhile, he is a member of The Society of Chinese Accountants & Auditors and The Institute of Chartered Accountants in England & Wales. Mr. Wong holds a bachelor of Arts degree in Accounting and Financial Management from University of Essex and a master degree of Science in Internal Auditing and Management from The City University, London. He has over 15 years working experience in audit and accounting gained from a sizeable international firm and has had almost 10 years of practicing experience.

WONG Kam Choi, Kerry, MH

Independent Non-executive Director

Mr. Wong, aged 49, joined the Group as Independent Non-executive Director in May 2013. Mr. Wong is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Currently, he is the executive director, chairman of the board and remuneration committee member of China Fortune Financial Group Limited (Stock Code: 290), a company being listed on the Main Board of the Stock Exchange. Mr. Wong is a substantial shareholder and a director of a design and printing company. He has over 15 years' experience in design and printing industry.

Mr. Wong has been dedicating to wide range of community services in Hong Kong and Southern China. He is the director of Sik Sik Yuen, the committee member of Chinese People's Political Consultative Conference of Guangzhou, Liwan and chairman/vice chairman of a number of non-profit organizations.

SENIOR MANAGEMENT

NG Man Hoi, Paul

Chief Operating Officer

Mr. Ng, aged 58, possesses over 30 years of experience in the finance and banking industry. Currently, he is the Chief Operating Officer of the Company, a member of the Regulatory Compliance Committee, a non-voting member of the Executive Committee and Finance Committee and a director of certain subsidiaries of the Company.

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

FUNG Wai Har, Amanda

Finance Director

Ms. Fung, aged 44, joined the Group in September 2009. Currently, she is the Finance Director of the Company, a member of the Regulatory Compliance Committee and a non-voting member of the Executive Committee and Finance Committee of the Company.

Ms. Fung has over 20 years extensive professional accounting experience in the auditing, information technology, investment and financial services, and leisure and entertainment sectors. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Fung graduated with a Bachelor of Arts (Honours) Degree in Accountancy from The Hong Kong Polytechnic University.

WONG Man Hin, Charles

Managing Director of VC Brokerage Limited

Mr. Wong, aged 51, joined the Group in June 2004. Currently, he is the Managing Director of VC Brokerage Limited (a wholly owned subsidiary of the Company), a non-voting member of the Executive Committee and a director of certain subsidiaries of the Company.

Mr. Wong has more than 30 years of experience in securities and financial industry. Prior to joining the Group, Mr. Wong held senior management positions at various financial institutions including Kim Eng Securities (Hong Kong) Limited, Ong Asia Securities (HK) Limited, Core Pacific – Yamaichi International (H.K.) Limited and Yuanta Brokerage (HK) Limited.

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

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

COMPLIANCE OF THE CODE PROVISION OF THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the financial year ended 31 December 2015, except for the following deviations:

i. **Code Provision A.2.1**

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the annual general meeting of the Company held on 24 May 2012, the office of the Chairman of the Board has been vacant. Currently, Mr. Tin Ka Pak, Timmy, Chief Executive Officer (the "CEO") of the Company, has taken up the roles and functions of the Chairman. The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and CEO are performed by the same individual. It also believes that it is in the best interest of the Group with Mr. Tin Ka Pak, Timmy to assume the roles of the Chairman and the CEO as which the Board's decision could be made effectively. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

ii. **Code Provision A.4.1**

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors of the Company are not appointed for specific term. However, under the Article 97 of the Articles of Association of the Company (the "Articles of Association"), all directors, including non-executive directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders, and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

THE BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility for promoting the success of the Company by the director and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company, which is delegated to the CEO and the management. Each Director has a duty to act in good faith in the interests of the Company.

Lists of (1) Duties and Powers delegated to the CEO; and (2) Division of Responsibilities between the Chairman and the CEO are given at the Company's website under the section "Corporate Governance".

i. Board Composition

The Board currently comprises a total of nine Directors, with five Executive Directors, namely, Mr. Tin Ka Pak, Timmy (CEO), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry (Chief Investment Officer), Ms. So Wai Yee, Betty (Chief Financial Officer) and Mr. Lin Hoi Kwong, Aristo; one Non-executive Director, Mr. Chung Chi Shing, Eric; and three Independent Non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Wong Chung Kin, Quentin and Mr. Wong Kam Choi, Kerry, MH.

Under Article 97 of the Articles of Association, one third of the Directors for the time being shall retire from office, thus becoming eligible for re-election at each annual general meeting of the Company. The Directors to retire every year shall be those who have been longest in office since their last election. As such, Mr. Tin Ka Pak, Timmy, Mr. Cheng Tze Kit, Larry and Ms. So Wai Yee, Betty shall retire at the forthcoming annual general meeting and being eligible to offer themselves for re-election.

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

ii. Independence of Independent Non-executive Directors

The Independent Non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management. Their mix of skills and business experience is a major contribution to the future development of the Group. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2015. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines in 2015.

iii. Securities Dealings by Directors and Relevant Employees

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code in 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.

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

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

During the year, the Company had arranged in-house training for the Directors. Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry and Mr. Chung Chi Shing, Eric had participated in the in-house training. Meanwhile, the Company funded the Directors to join seminars held by the qualified professional bodies, Mr. Tin Ka Pak, Timmy and Ms. So Wai Yee, Betty had participated in the seminars held by the Hong Kong Institute of Certified Public Accountants. Also, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin had confirmed to the Company that they had participated in the seminars organized by the qualified professional bodies.

v. Directors' Insurance

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

BOARD MEETINGS

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. At least 14 days notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special board meetings. Agenda accompanying board papers are sent to all Directors at least 3 days before each regular board meeting. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in discharge of their duties.

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

In 2015, the Board had held a total of six meetings. The details of the attendance record of each member of the Board for 2015 are provided in the section "ATTENDANCE RECORD OF THE DIRECTORS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING" below.

PROCEDURE TO ENABLE DIRECTORS TO SEEK INDEPENDENT PROFESSIONAL ADVICE

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2015.

DELEGATION BY THE BOARD

i. Management Functions

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

ii. Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, namely, executive committee, audit committee, remuneration committee, nomination committee, finance committee and regulatory compliance committee. The committees review and make recommendations to the Board on specific areas.

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

EXECUTIVE COMMITTEE

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Tin Ka Pak, Timmy (Chairman), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty and Mr. Lin Hoi Kwong, Aristo and the Company's senior management (non-voting capacity), namely, Mr. Ng Man Hoi, Paul, Ms. Fung Wai Har, Amanda and Mr. Wong Man Hin, Charles.

It oversees the implementation of the Company's strategic objectives and risk management policies and the business and operations of all of the business units of the Group. Meanwhile, it also responsible to develop, review and monitor the Group's corporate governance policies and practices. It holds meetings from time to time to discuss operational matters of the Company's business and new projects. Other details of the roles and functions of the Executive Committee are given at the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Audit Committee is made up of the Company's Independent Non-executive Directors, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Ip Chun Chung, Robert and Mr. Wong Kam Choi, Kerry, MH. Mr. Wong Chung Kin, Quentin is a fellow member of Hong Kong Institute of Certified Public Accountants. He has the appropriate professional qualifications, accounting or related financial management expertise, as requested by the Rule 3.10(2) of the Listing Rules.

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

In 2015, the Audit Committee had held a total of two meetings, among other matters, to review the final results of the Group for the year ended 31 December 2014 and the interim results of the Group for the six months ended 30 June 2015. The details of the attendance record of each member of the Audit Committee for 2015 are provided in the section "ATTENDANCE RECORD OF THE DIRECTORS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING" below.

REMUNERATION COMMITTEE

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Wong Kam Choi, Kerry, MH (Chairman), Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin.

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

In 2015, the Remuneration Committee had held a meeting, among other matters, to review the remuneration package of the Directors and senior management of the Group. The details of the attendance record of each member of the Remuneration Committee for 2015 are provided in the section "ATTENDANCE RECORD OF THE DIRECTORS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING" below.

i. Remuneration Policy

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

ii. Emoluments of Directors

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year ended 31 December 2015, the Remuneration Committee had (i) considered and reviewed the salary of Directors and senior management of the Group; and (ii) approved the bonus payments for Directors and senior management of the Group.

NOMINATION COMMITTEE

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

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

Other details of the role and function of the Nomination Committee are given at the Company's website under the section "Corporate Governance".

In September 2013, the Nomination Committee had adopted a board diversity policy. The main purpose of the policy is to achieve diversity on the Board. Based on the policy, the selection of candidates for board membership will be based on a range of diversity perspectives, including but not limited, to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Details of the Board Diversity Policy are given at the Company's website under the section "Corporate Governance".

In 2015, the Nomination Committee had held a meeting, among other matters, to review the structure, size and composition of the Board of the Company. The details of the attendance record of each member of the Nomination Committee for 2015 are provided in the section "ATTENDANCE RECORD OF THE DIRECTORS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING" below.

FINANCE COMMITTEE

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

It conducts review on matters such as the Group's financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets; and reviews major acquisitions and investments and their funding requirements. It holds meetings from time to time to discuss financial matters of the Company's new and existing business. Other details of the role and function of the Finance Committee are given at the Company's website under the section "Corporate Governance".

REGULATORY COMPLIANCE COMMITTEE

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

It reviews and advises upon matters in respect of the present or future regulation of the Company's financial services businesses and compliance with applicable laws and regulations, including the Listing Rules. It holds meetings from time to time to discuss the ongoing compliance matters of the Group. Other details of the role and function of the Regulatory Compliance Committee are given at the Company's website under the section "Corporate Governance".

ATTENDANCE RECORD OF THE DIRECTORS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING

	Attendance record of Directors in 2015				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Executive Directors					
Mr. Tin Ka Pak, Timmy	6/6	N/A	N/A	N/A	1/1
Mr. Chau King Fai, Philip	6/6	N/A	N/A	1/1	1/1
Mr. Cheng Tze Kit, Larry	5/6	N/A	N/A	N/A	1/1
Ms. So Wai Yee, Betty	6/6	N/A	N/A	N/A	1/1
Mr. Lin Hoi Kwong, Aristo[1]	3/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Chung Chi Shing, Eric[2]	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ip Chun Chung, Robert	6/6	2/2	1/1	1/1	1/1
Mr. Wong Chung Kin, Quentin	6/6	2/2	1/1	1/1	1/1
Mr. Wong Kam Choi, Kerry, MH	6/6	2/2	1/1	1/1	1/1
Average Attendance Rate	**96%**	**100%**	**100%**	**100%**	**100%**

Notes:

1. Mr. Lin Hoi Kwong, Aristo was appointed as an Executive Director of the Company on 1 April 2015.

2. Mr. Chung Chi Shing, Eric was appointed as a Non-executive Director of the Company on 12 March 2015.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

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

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditor are set out on page 53 of this Annual Report.

INTERNAL CONTROL

i. Responsibility

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

ii. Management Supervision

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

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

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

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

iii. Internal Audit Function

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

iv. Audit Committee Supervision

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

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

The Audit Committee, through the Internal Audit Manager, has conducted comprehensive risk assessments and internal control reviews on the design and the effectiveness of the Group's system of internal control for the year ended 31 December 2015, which covers the key controls for mitigating the major risks associated with the significant processes.

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

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since 2005. For the year ended 31 December 2015, approximately HK$1,051,000 was charged for audit services performed by Deloitte Touche Tohmatsu, which included the fee of HK$1,010,000 for the audit of the consolidated financial statements of the Group for the year ended 31 December 2015, HK$20,000 for the review of the preliminary announcement of results of the Group for the year ended 31 December 2015 and approximately HK$3,000 for the audit of a subsidiary's provident fund scheme for 2015 (which collectively were included as auditors' remuneration in note 12 to the consolidated financial statements) and also the disbursements of HK$18,000 incurred for the audit of the consolidated financial statements of the Group for the year ended 31 December 2014.

In addition, approximately HK$128,000 was charged for non-audit services performed by Deloitte Touche Tohmatsu to the Group in 2015, which included the fee of approximately HK$120,000 for provision of taxation services for the year ended 31 December 2015 and the additional taxation services fee and disbursements of approximately HK$8,000 incurred for the year ended 31 December 2014.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Board and is responsible for advising the Board on governance matter. The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training in 2015.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the value of providing current and quality information to its shareholders, both individual and institutional. It also recognizes the importance of maintaining continuous communication with shareholders and constantly looking for ways to ensure the Group maintains an open and ongoing dialogue with the existing and potential shareholders.

i. Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy to ensure an effective ongoing dialogue with shareholders. Such policy shall be reviewed by the Board on a regular basis to ensure its effectiveness. Details of the Shareholders' Communication Policy are given at the Company's website under the section "Corporate Governance".

ii. The Company's Website

The Company's website at www.vcgroup.com.hk provides comprehensive and most updated information about the Company, including financial results, announcements, circulars, composition of the Board/Board committees and their respective terms of reference, biographical information of Directors and Senior Management, and other corporate documents such as Articles of Association and other policies adopted by the Company.

iii. Annual General Meeting

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

iv. Enquiries

The Company Secretary responds to letters and telephone enquiries from shareholders/investors. Shareholders and investors are welcome to raise enquiries through the Company's email contact at info@vcgroup.com.hk or by mail to the Company Secretary at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

SHAREHOLDERS' RIGHTS

i. Convening of General Meetings

Under Section 566 of the Companies Ordinance (Chapter 622 of Laws of Hong Kong) (the "Companies Ordinance"), shareholders of the Company who representing at least 5% of the total voting rights of all members having a right to vote at general meetings of the Company may request the Directors of the Company to convene general meetings. The requisition must state the general nature of business to be dealt with at the meeting, and must be signed by the requisitionist(s) and deposited at the registered office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Shareholders may include the text of a resolution that may properly be moved and is intended to be moved at the meeting.

The Directors must proceed to convene a general meeting within 21 days from the date of receipt of the requisition. Such meeting should be held on a date not more than 28 days after the date on which the notice convening the meeting is given. If the Directors fail to convene the general meeting as aforesaid, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene the meeting. Any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the requisition.

For more details, shareholders may refer to the requirements as set out in the Companies Ordinance.

ii. Putting Forward Proposals at General Meeting

Under Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all the members having a right to vote, or at least 50 shareholders who have a relevant right to vote may (a) put forward proposal at general meeting; and (b) circulate to other shareholders written statement with respect to matter to be dealt with or other business to be dealt with at general meeting.

The requisition must be sent to the Company in hard copy or in electronic form and must identify the resolution of which notice is to be given. It must be signed by the requisitionist(s) and be received by the Company not less than six weeks before the annual general meeting to which the request related, or, if later, the time at which notice is given of that meeting.

For more details on the shareholder qualifications, and the procedures and timeline, in connection with the above, shareholders may refer to the Sections 580 and 615 of the Companies Ordinance.

CONSTITUTIONAL DOCUMENTS

By special resolution passed on 3 June 2015, the Company had adopted a new articles of association to reflect the changes of the Companies Ordinance.

The Board (the "Board") of Directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present their Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015, together with the audited comparative figures for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year including the description of the Group's business and its external environment, business objectives and strategies, business model and development and principal performance drivers are provided in the CEO's Statement and the Management Discussion and Analysis on pages 2 to 3 and pages 4 to 16 respectively of this Annual Report.

Further, the Management Discussion and Analysis also contains the information about the Group's financial performance analysis and financial position assessment, number and remuneration of employees and remuneration policies, particulars of important event affecting the Group that had occurred since the year ended 31 December 2015 and the Group's likely future development in business.

Environmental policies and performance

The Group encourages environment protection, complies with environmental legislation and promotes awareness towards environment protection to the employees. The careful use of resources and adoption of the best practices across the Group's business shows our commitment towards environmental protection. The Group adheres to the principle of Recycling and Reducing. Stationeries such as envelopes, letterheads and business cards, as well as interim reports and annual reports delivered to the shareholders are printed on environmentally friendly paper. It also implements green office practices such as encouraging double-sided printing and copying, and to the extent possible, setting up paper recycling bins and arranging paper recycling supplier to collect the disposal of papers from office, when necessary. Obsolete computer equipments, after removal of data storage devices, are either donated to charities or passed to recyclers together with used computer consumables such as ink and toner cartridges.

Compliance with laws and regulations in relation to financial services business

The Group's financial services business is mainly under the supervision of Securities and Futures Commission ("SFC"), including securities, futures and options brokering and dealing, margin financing services, corporate finance services as well as asset management, and other authorities for the money lending services. As such, the Group has to comply with the rules and regulations of SFC and other related regulators and authorities. In order to comply with all these rules and regulations, the Group's Compliance Department and Internal Audit Department have tailored-made some specific operation manuals and implemented the internal control procedures to regulate the Group's daily business activities. Regularly testing are conducted on the Group's operations to minimize the risk exposures and take appropriate remedial actions, when necessary. Meanwhile, the Group will engage independent professional bodies to provide advices and assistance on the Group's compliance issues, when necessary. In 2014, the Group engaged its external auditor, Deloitte Touche Tohmatsu, to assess the impact of the U.S.A. Foreign Account Tax Compliance Act ("FATCA") towards the Group's operations and thereon provide opinion and relevant implementation about the reporting and disclosure requirements of FATCA.

In addition, the Group started a more targeted approach to customer due diligence through the use of a sophisticated software provided by a third party financial provider in 2014. This simplifies and accelerates the customer due diligence for the entire customer base of the Group, which includes screening for money laundering, sanctions and threat finance and also enables detailed monitoring of politically exposed person relationships and networks and is also customizable to identify a variety of specific third party risks, when necessary. All these measures are important in increasing the efficiency and effectiveness in dealing with the regulatory and operational burdens and risks the Group's regulated businesses are facing.

Relationships with customers and suppliers and major customers and suppliers

The Group understands that it is important to maintain a good relationship with its customers and suppliers. To do so, the Group delivers its financial services and products in professional attitude to garner clients' trust, which help to create new business opportunities to the Group. During the year, there was no material and significant dispute between the Group and its customers and/or suppliers.

For the year ended 31 December 2015, the aggregate revenue attributable to the Group's largest customer and five largest customers combined are approximately 8% (2014: 9%) and 27% (2014: 31%) respectively, of the Group's total revenue. At no time during the year, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers. The Group had no major supplier due to the nature of principal activities of the Group.

Relationships with employees

(a) Emolument policy and employee benefits

The Group understands that employees are valuable assets, therefore it provides competitive remuneration package to attract and motivate the employees. The emolument policy of the Group is set up by the Remuneration Committee of the Company. The Group's employees are selected, remunerated and promoted on the basis of their merit, qualifications, performance and competence. Regular revision for each employee is conducted annually. Meanwhile, the emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee and/or the Board, having regard to the performance of individuals, the Group's operating results and comparable market statistics.

Apart from the basic salaries and participation in Mandatory Provident Fund Scheme, the Group also provides medical coverage, sales commission, discretionary performance-based bonus, discretionary share options and share awards to all employees.

As abovementioned, the Company has a share option scheme and share award schemes as an incentive to the eligible persons of the schemes, whom including the Directors, employees and others of the Group. Details of the schemes and the movements of the share options and awarded shares granted to the eligible persons during the year are set out in the sections of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEME" and "SHARE AWARD SCHEMES" in this report.

(b) Training and development

Employees of the Group are encouraged to attend training and development courses so as to keep abreast of their skills and knowledge. Our Compliance Department organizes in-house training courses for all employees of the Group, specifically for those are licenced persons registered under the Hong Kong Securities and Futures Ordinance, and provides ongoing compliance updates and regulatory requirements to them. The Group also funds the Directors to attend continuous professional development training including updates on regulatory requirements and corporate governance practices. Relevant employees are also funded to attend external training courses which are relevant to their works.

(c) Health and safety

In order to provide a safe working environment, offices' workstations are regularly checked and maintained by the Administration Department of the Group. Besides, cleaning of carpets and air-conditioning systems are regularly carried out so as to provide hygienic working conditions for the employees.

Principal risks and uncertainties of the Group

The Group's core businesses are securities, futures and options brokering and dealing, financing services and corporate finance services. Due to the nature of the Group's financial services business, the Group may be affected by a number of risks and uncertainties associated with its key financial services and products. It mainly divided into two categories, namely operational risk and financial risks. To ensure implementation of the appropriate measures in managing and monitoring these risk exposures on a timely and effective manner, policies and procedures are established by the Group. Details of the key risks and uncertainties identified by the Group and the ways on how the Group encounters these are given as follow:

(a) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed operational processes, people and systems or from external events. In the other words, the operational risk arises from non-compliance of policies and procedures and lack of control. The Group has established some operational policies and guidelines, delegation of authorities and reporting requirements for helping each employee of the Group to develop a set of personal practices in performing their job to the highest level. The operational policies provide detailed guidelines for various functions of the Group in executing most of the business transactions such as accounting and finance, operations, legal and compliance, human resources, information technology and administration. Meanwhile, detailed compliance and procedural manuals and policies are designed for the major subsidiaries of the Group which carried out the finance services business. The internal policies and manuals aim to ensure the major subsidiaries of the Company comply with all rules, regulations, codes and legislations governing every aspect of the Group's regulated activities at all times. All sales staff and/or investment representatives are required at all times to fully understand and follow the regulated requirements, which will be updated from time to time in response to changes of rules and regulations. Training programs and active communications are continuously provided to promote their awareness. Internal control procedures are applied to monitor compliance of the Group's policies and guidelines. Appropriate disciplinary actions shall be taken against the responsible staff, who is guilty of serious misconduct. The Group's Compliance Department and Internal Audit Department are responsible for identifying and monitoring the key operational exposures and report regularly the potential risk issues to the management and the Audit Committee of the Group respectively.

(b) Financial risks

In the course of business activities, the Group is exposed to a variety of financial risks, including market, credit and liquidity risks.

(i) Market risk

The Group's market risk primarily includes currency risk (foreign exchange rate risk), interest rate risk and equity risk.

- *Currency risk* – It is the Group's policy for each group entity to operate in local currencies as far as possible to minimize currency risks. Almost all the Group's principal businesses are conducted in Hong Kong dollars which is also the functional currency of the Company, with small amounts of bank deposits denominated in USD and RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the Group for the year. The Finance Department will manage and monitor the relevant risk from time to time.

- *Interest rate risk* – The Group is exposed to interest rate risk arising from funding mismatch in relation to accounts receivable from brokerage and financing businesses such as cash clients, margin clients and brokers and short-term bank borrowings, which is mainly relating to the fluctuation of HIBOR or best lending rate. The Finance Department has prepared sensitively analysis on the exposure to cash flow interest rates for the Group's interest bearing financial instruments on a semi-annually basis and note that such exposure to the Group is not significant.

- *Equity risk* – The Group is exposed to equity price risk arising from fluctuation in the price and volatility through the Group's investment in listed equity securities. Management regularly reviews and monitors the Group's investment portfolio.

(ii) Credit risk

The Group's credit risk is the risk of losses from a borrower or counterparty defaulting on an obligation which will result in financial loss to the Group. The risk mainly arises from the following business activities undertaken by the Group:

- *Financing from brokerage business* – In relation to the financing from brokerage business, the credit risk arises on the margin portfolio and clients' trade settlement. When the market goes downside, the possibility of doubtful debts will arise. The clients may be unable or unwilling to settle the sum owed. As such, credit assessment and continuous management of credit exposures are indispensable. The Group has established the credit policies and procedures setting out in details the structure of the credit risk management, the credit approval and monitoring mechanism, and the issue for provision for doubtful receivables. Meanwhile, the management of the Group has delegated a team forming the credit committee for setting the direction of the credit risk management and to oversee the Group's overall credit risk exposure. The credit committee meets monthly to review the work of the credit officer who is responsible for the daily credit management activities, determine and review the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from the clients with shortfalls. Ad hoc discussions and meetings may also be held by the credit committee whenever necessary. Moreover, the Group closely evaluates the borrower's credit rating, financial background and repayment abilities. The assessment is based on a closely monitoring and evaluation of the collectability of individual account and on management's judgment from different aspects including the current credit worthiness of the borrowers, collateral value and the past collection history of each individual borrower.

- *Money lending* – All individual loans are currently assessed and approved by the Group's management. The Group closely evaluates the borrowers' credit rating, financial background, repayment abilities and the value of securities collateral. The assessment is based on a close monitoring and evaluation of the collectability of individual borrower and on management's judgment from different aspects including the current credit worthiness of the borrower, collateral value and the past collection history of each individual borrower. The Finance Department is responsible for the daily monitoring of the borrowers including the adequacy of the collateral value and any default or delinquency in interest or principal payments in accordance with the contractual terms, and promptly report to the management, when necessary.

Furthermore, the Group has monitored its concentration of credit risk in different aspects. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. The Group has policies in monitoring both client concentration risk and stock concentration risk. The Group regularly performs stress tests on stock concentration to evaluate the Group's credit risk exposure and capital adequacy in the event of abnormal and significant changes in market condition. As at 31 December 2015, the Group has concentration of credit risk on the accounts receivable as the aggregate balances with the five largest clients representing 34% of total accounts receivable. However, the fair values of the securities collateral held by the Group for these balances are in excess of the relevant carrying amounts. The Group has no other significant concentration of credit risk.

(iii) Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group's operations are mainly financed by internal generated cash flow and short-term bank borrowings. In managing the liquidity risk, it is important that the Group maintains an adequate level of cash and credit facilities to finance the Group's daily operations.

Indeed, the Group's major subsidiaries are regulated by SFC, which are subject to SFC's liquid capital requirements. Under the liquid capital requirements, the regulated subsidiaries must maintain the minimum liquid capital, which shall in excess of HK$3 million or 5% of their total adjusted liabilities, whichever the higher. The Finance Department monitors the Group's major funding positions on a daily basis so as to ensure adequate financial resources are available to meet the Group's financial obligations as well as to comply with SFC requirement. Meanwhile, the Group's banking facilities are subject to floating interest rate and are renewable annually. It is believed that the Group has adequate working capital to meet its financial obligations and the regulated subsidiaries have no non-compliance with the liquid capital requirements during the year.

For more details about the principal risks and uncertainties in which the Group are facing and also the relevant risk management objectives and policies, please refer to the section "FINANCIAL REVIEW" contained in the Management Discussion and Analysis and notes 5 and 6 to the consolidated financial statements on pages 7 to 16 and pages 78 to 84 respectively of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 55 to 120 of this Annual Report.

No interim dividend was paid to the shareholders during the year (2014: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND SHARE AWARDS

During the year, the Company issued a total of 134,050,000 ordinary shares that represents 24.27% of the enlarged share capital of the Company. Among 134,050,000 ordinary shares, 82,600,000 ordinary shares issued to a number of independent third parties in January 2015 pursuant to the placing agreement dated 18 December 2014 with a net proceeds of approximately HK$79.7 million; 47,200,000 ordinary shares issued to a number of independent third parties upon the exercise of the subscription rights attached to the non-listed warrants issued by the Company for new shares in July 2015 with a net proceeds of approximately HK$56.6 million; and 4,250,000 ordinary shares issued to certain employees of the Group and directors of the Company upon the exercise of the share options granted by the Company with a net proceeds of approximately HK$4.91 million. The total net proceeds as abovementioned are to be used for the Group's business expansion, daily operations and possible investment in the future. Details of the movements in share capital, share options and share awards of the Company during the year are set out in notes 28 and 29 respectively to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

As at 31 December 2015, the Company has not entered into any equity-linked agreement.

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

The Company has not redeemed any of its shares during the year ended 31 December 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2015.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to shareholders amounted to approximately HK$2,697,000 (2014: HK$23,408,000).

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$182,000 (2014: HK$50,000).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group of the past five financial years as extracted from the audited consolidated financial statements is set out on pages 121 to 122 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

DIRECTORS OF THE COMPANY

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

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 *(appointed on 1 April 2015)*

Non-executive Director

Mr. CHUNG Chi Shing, Eric *(appointed on 12 March 2015)*

Independence Non-executive Directors

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

In accordance with Article 97 of the Company's Articles of Association, one-third of the directors of the Company for the time being, or, if their number is not three or a multiple of three, the number nearest to, but not less than, one-third shall retire from office. The directors of the Company to retire every year shall be those who have been longest in office since their last election. In accordance with this provision, Mr. Tin Ka Pak, Timmy, Mr. Cheng Tze Kit, Larry and Ms. So Wai Yee, Betty shall retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

DIRECTORS OF THE SUBSIDIARIES

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

Mr. NG Man Hoi, Paul
Mr. WONG Man Hin, Charles
Mr. TSE Ming Kwong, Louis
Ms. LAM Yuk Ying, Elsa
Mr. LEUNG Chi Ho, David
Mr. LEUNG Chi Wai, Chris

STATUS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Biographical details of the Directors of the Company and senior management of the Group as at the date of this report are set out on pages 17 to 21 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 31 to the consolidated financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INDEMNITIES

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to be fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share option scheme, share award schemes and the non-listed warrants disclosed in notes 29 and 27 respectively to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code"), 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 issued ordinary shares
Mr. Chau King Fai, Philip	Beneficial owner	Personal	3,519,869	0.64%
Mr. So Wai Yee, Betty	Beneficial owner	Personal	702,000	0.13%
Mr. Chung Chi Shing, Eric	Beneficial owner	Personal	16,352,000	2.96%
	Held by controlled corporation *(Note 2)*	Corporation	75,000,000	13.58%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	0.09%

(b) Share options of the Company

	Number of share options								
Name of Director	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015	Approximate % of total issued ordinary shares	Date of grant	Exercisable period	Exercise price
									HK$
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)	–	–	–	24 September 2012	24 September 2012 – 23 September 2015	1.17
Mr. Cheng Tze Kit, Larry	1,000,000	–	(1,000,000)	–	–	–	24 September 2012	24 September 2012 – 23 September 2015	1.17
Ms. So Wai Yee, Betty	500,000	–	(500,000)	–	–	–	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**	**–**	**(3,250,000)**	**–**	**–**	**–**			

Notes:

1. As at 31 December 2015, the Company's total issued ordinary shares was 552,216,829.

2. 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 13.58% of the Company's total issued ordinary shares as at 31 December 2015.

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

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or their respective associates has 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 SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2015, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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 issued ordinary share	Notes
West Kingdom Investments Limited	Beneficial owner	32,904,000	5.96%	–
Mr. Han Hanting	Held by controlled corporation	32,904,000	5.96%	2
Power Global Group Limited	Beneficial owner	75,000,000	13.58%	–
Mr. Chung Chi Shing, Eric	Beneficial owner	16,352,000	2.96%	–
	Held by controlled corporation	75,000,000	13.58%	3

Notes:

1. As at 31 December 2015, the Company's total issued ordinary shares was 552,216,829.

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 5.96% of the Company's total issued ordinary shares as at 31 December 2015.

3. Mr. Chung Chi Shing, Eric, a non-executive director of the Company, 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 13.58% of the Company's total issued ordinary shares as at 31 December 2015.

Save as disclosed above, as at 31 December 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"). Summary of the principal terms of the Share Option Scheme are listed below.

Summary of the Share Option Scheme

(a) Purpose of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

Pursuant to the Share Option Scheme, the Board may, at its discretion, to make an offer for the grant of share options to the employees or directors of the Group or such other persons who are eligible for participation in the Share Option Scheme to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(c) Total number of shares available for issue under the Share Option Scheme

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

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

As at 31 December 2015 and the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme was 41,312,682, representing approximately 7.48% of the total issued shares as at the date of this Annual Report.

(d) Maximum entitlement of each participant

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

(e) Time of exercise of share option

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

(f) Payment on acceptance of share option

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

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

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

(h) Remaining life of the Share Option Scheme

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

Movement of Share Options

As at 31 December 2015, there was no outstanding share option of the Company to any participants. Details of the movements of the share options during the year are as follows:

	Number of share options							
Category of participant	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015	Date of grant	Share options duration	Exercise Price
								HK$
Directors	500,000	–	(500,000)	–	–	6 June 2012	6 June 2012 – 5 June 2015	1.04
Directors	2,750,000	–	(2,750,000)	–	–	24 September 2012	24 September 2012 – 23 September 2015	1.17
Sub-total	3,250,000	–	(3,250,000)	–	–			
Employees	1,000,000	–	(1,000,000)	–	–	24 September 2012	24 September 2012 – 23 September 2015	1.17
Total	**4,250,000**	**–**	**(4,250,000)**	**–**	**–**			

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

During the year, no share options were cancelled under the Share Option Scheme.

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 Share Purchase Scheme and the Share Subscription Scheme collectively are referred to as the "Share Award Schemes"). Summary of the principal terms of the Share Award Schemes are listed below:

Summary of the Share Award Schemes

(a) Purpose of the Share Award Schemes

The purpose of Share Award Schemes is to attract skilled and experienced personnel, to provide incentives for 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.

(b) Participants of the Share Award Schemes

The Board may, subject to the rules relating to the Share Award Schemes, from time to time at is absolute discretion select any employee of the Company or its subsidiaries to be a participant in the Share Award Schemes. However, director of the Company or any subsidiaries and any other connected person of the Company are not allowed to participate in the Share Subscription Scheme.

(c) Duration of the Share Award Schemes

The Share Award Schemes have a term of 20 years from the date of adoption, i.e. 31 March 2008. The Board may by resolution terminate the operation of the Share Award Schemes at any time provided that such termination shall not affect any subsisting rights of any selected employee. If, at the date of such termination, the trustee holds any shares which has not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such shares and remit the proceeds of sale (after deductions) to the Company.

(d) Scheme Limit

The scheme limit of the Share Purchase Scheme and Share Subscription Scheme is 2% and 1% of the total number of issued shares of the Company respectively from time to time (excluding shares which have already been transferred to employees on vesting).

(e) Grant of the Awarded Shares

For the Share Purchase Scheme, the Board or the trustee of the scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of shares, the trustee shall apply the same towards the purchase of shares on the Stock Exchange.

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

No payment shall be made to the trustee of the Share Award Schemes (the "Trustee") and no instructions to subscribe for shares shall be given to the Trustee under the Share Award Schemes where any member of the Board is in possession of the inside information in relation to the Company or where dealings by Directors are prohibited under the Model Code as set out in the appendices to the Listing Rules or any applicable laws and regulations or any internal code of conduct in securities dealing adopted by the Company from time to time.

(f) Vesting of the Awarded Shares

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

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

(g) Trustee of the Schemes

The Company shall have the power exercisable by deed to appoint or remove any person as a Trustee. The minimum number of trustees shall be two individuals or a body corporate. The Trustee has the power to exercise at its discretion all voting rights attached to any shares held. Pursuant to the schemes rules, the Trustee is obligated to exercise its power with the objective of maximizing the benefits of the participants of the Share Award Schemes and shall not be subject to influence from any other party.

Outstanding Awarded Shares

During the year ended 31 December 2015, there were no shares awarded by the Company to any employees of the Company and/or its subsidiaries and outstanding under the Share Award Schemes.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2015 are disclosed in note 31 to the consolidated financial statements.

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

EVENT AFTER THE REPORTING PERIOD

Details of the important event of the Group occurring after the reporting period are set out in note 34 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements and results for the year ended 31 December 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 year ended 31 December 2015.

Information on the work of the Audit Committee and its composition are set out in the "Corporate Governance Report" on pages 22 to 33 of this Annual Report.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 22 to 33 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float under the Listing Rules throughout the year ended 31 December 2015.

AUDITOR

The financial statements of the Company for the year ended 31 December 2015 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

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

Hong Kong
29 March 2016

Deloitte.
德勤

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

We have audited the consolidated financial statements of Value Convergence Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 120, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Revenue	7	**79,795**	78,154
Other income	7	**2,490**	4,109
Staff costs	8	**(65,743)**	(60,201)
Commission expenses		**(5,915)**	(4,665)
Depreciation of property and equipment	18	**(1,694)**	(1,634)
Finance costs	10	**(752)**	(726)
Other operating expenses		**(28,761)**	(27,379)
Other gains and losses	11	**8,037**	4,262
Loss before taxation		**(12,543)**	(8,080)
Income tax expense	13	**(32)**	(223)
Loss for the year attributable to owners of the Company	12	**(12,575)**	(8,303)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**–**	(1)
Reclassification adjustment for exchange reserve realised on deregistration of a subsidiary		**–**	956
Other comprehensive income for the year		**–**	955
Total comprehensive income for the year attributable to owners of the Company		**(12,575)**	(7,348)
Loss per share (HK cents)			
Basic	15	**(2.43)**	(2.01)
Diluted	15	**(2.43)**	(2.01)

Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Trading rights	16	–	–
Other intangible assets	17	1,246	1,246
Property and equipment	18	3,858	2,587
Statutory deposits		3,816	3,946
Rental and utility deposits		3,253	2,630
Available-for-sale investments	19	–	–
		12,173	10,409
Current assets			
Accounts receivable	22	302,427	319,955
Prepayments, deposits and other receivables	23	3,262	3,864
Investments held for trading	24	25,792	10,500
Convertible bond receivable	20	–	18,833
Derivative financial asset	21	–	–
Pledged bank deposits	23	40,000	40,000
Bank balances and cash	23	350,832	228,297
		722,313	621,449
Current liabilities			
Accounts payable	25	44,284	70,651
Accrued liabilities and other payables		9,488	9,888
Taxation payable		255	223
Short-term bank borrowings	26	40,000	40,000
Financial liability at fair value through profit or loss	27	–	9,852
		94,027	130,614
Net current assets		628,286	490,835
Total assets less current liabilities		640,459	501,244

	NOTES	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	28	**639,851**	486,674
Reserves		**608**	14,570
Total equity		**640,459**	501,244

The consolidated financial statements on pages 55 to 120 were approved and authorised for issue by the Board of Directors on 29 March 2016 and are signed on its behalf by:

Tin Ka Pak, Timmy	**So Wai Yee, Betty**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Share option reserve**	**Other reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)				*(Note 2)*	
At 1 January 2014	41,181	438,855	123,758	(955)	(101,690)	2,972	(767)	503,354
Loss for the year	–	–	–	–	(8,303)	–	–	(8,303)
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	(1)	–	–	–	(1)
Reclassification adjustment for exchange reserve realised on deregistration of a subsidiary	–	–	–	956	–	–	–	956
Total comprehensive income for the year	–	–	–	955	(8,303)	–	–	(7,348)
Transfer upon abolition of par value *(Note 3)*	438,855	(438,855)	–	–	–	–	–	–
Issue of shares upon exercise of share options	5,238	–	–	–	–	–	–	5,238
Transfer of share option reserve upon exercise of share options	1,400	–	–	–	–	(1,400)	–	–
Reversal of share option reserve upon lapse of share options	–	–	–	–	185	(185)	–	–
At 31 December 2014	486,674	–	123,758	–	(109,808)	1,387	(767)	501,244
Loss for the year representing total comprehensive income for the year	–	–	–	–	(12,575)	–	–	(12,575)
Issue of shares upon exercise of share options	6,295	–	–	–	–	(1,387)	–	4,908
Issue of shares by placement	80,948	–	–	–	–	–	–	80,948
Transaction costs attributable to issue of shares by placement	(1,221)	–	–	–	–	–	–	(1,221)
Issue of shares upon exercise of warrants	67,162	–	–	–	–	–	–	67,162
Transaction costs attributable to issue of shares upon exercise of warrants	(7)	–	–	–	–	–	–	(7)
At 31 December 2015	639,851	–	123,758	–	(122,383)	–	(767)	640,459

Notes:

(1) 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 losses, 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.

(2) 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.

(3) The abolition of par value under the new Hong Kong Companies Ordinance was effective on 3 March 2014. On that date, any amount standing to the credit of the share premium account had become part of the Company's share capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
Loss before taxation	**(12,543)**	(8,080)
Adjustments for		
Interest income	**(2,489)**	(4,102)
Finance costs	**752**	726
Depreciation of property and equipment	**1,694**	1,634
Fair value change on financial liability at fair value through profit or loss	**670**	(9,771)
Fair value change on derivative financial asset	**–**	2,570
Loss on deregistration of a subsidiary	**–**	956
Net realised and unrealised gain on investments held for trading	**(8,667)**	(789)
Impairment loss on other receivables	**–**	2,778
Impairment loss on available-for-sale investments	**–**	50
Reversal of impairment loss on accounts receivable, net	**–**	(55)
Gain on disposal of property and equipment	**(95)**	(12)
	(20,678)	(14,095)
Movements in working capital		
Decrease in accounts receivable	**17,528**	41,682
(Increase) decrease in prepayments, deposits and other receivables	**(146)**	294
Increase in rental and utility deposits	**(623)**	(66)
(Decrease) increase in accounts payable	**(26,367)**	13,743
Decrease in accrued liabilities and other payables	**(405)**	(655)
Cash (used in) generated from operations	**(30,691)**	40,903
Interest paid	**(747)**	(721)
Net cash (used in) generated from operating activities	**(31,438)**	40,182
Cash flows from investing activities		
Interest received	**2,070**	1,995
Purchase of property and equipment	**(3,150)**	(193)
Purchase of available-for-sale investments	**–**	(50)
Purchase of investments held for trading	**(23,896)**	(9,711)
Proceeds from disposal of investments held for trading	**17,271**	–
Convertible bond redeemed by issuer	**20,000**	–
Loan to an investee	**–**	(2,778)
Proceeds from disposal of property and equipment	**280**	12
Payment of statutory deposits	**(4,535)**	(3,020)
Refund of statutory deposits	**4,665**	3,725
Net cash generated from (used in) investing activities	**12,705**	(10,020)

	2015 *HK$'000*	2014 *HK$'000*
Cash flows from financing activities		
New short-term bank borrowings	**–**	40,000
Proceeds from exercise of share options	**4,908**	5,238
Proceeds from issue of shares by placement	**80,948**	–
Payments for transaction costs attributable to issue of shares by placement	**(1,221)**	–
Proceeds from issue of shares upon exercise of warrants	**56,640**	–
Payments for transaction costs attributable to issue of shares upon exercise of warrants	**(7)**	–
Net cash generated from financing activities	**141,268**	45,238
Net increase in cash and cash equivalents	**122,535**	75,400
Cash and cash equivalents at the beginning of year	**228,297**	152,898
Effect of exchange rate changes on the balance of cash held in foreign currencies	**–**	(1)
Cash and cash equivalents at the end of year, represented by bank balances and cash	**350,832**	228,297

1. GENERAL

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

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

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

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

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2015 financial year.

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

The Group has not early applied the following new standards and amendments to standards ("new and revised HKFRSs") that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

HKFRS 9 Financial instruments – continued

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new CO regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance (Cap. 32) or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

The 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 or leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

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

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

Revenue recognition

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

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

- Commission and other related fee from brokering business are recorded as income on a trade date basis.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Trading rights/other intangible assets

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

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

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

Property and equipment

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

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

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

Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

Financial assets are classified into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

The Group's investment in equity securities are held for trading.

Financial assets at FVTPL (including investments held for trading and derivative financial asset) are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

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

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

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

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

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, after exhausting all collection efforts such as realisation of collateral, or institution of other legal means as appropriate, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

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

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

Interest expense is recognised on an effective interest basis.

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities at FVTPL – continued

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

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Warrants

Warrants issued by the Company that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are financial liability at fair value through profit or loss. At the date of issue and in subsequent period, the warrants are measured at fair value with change in fair value recognised in profit or loss. Transaction costs that relate to the issue of the warrants are charged to profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derivative financial instruments – continued

Embedded derivatives

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when its transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Borrowing costs

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

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

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

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

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

Leasing

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

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

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

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

On the disposal of a foreign operation (i. e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors, employees and other eligible persons

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions – continued

Equity-settled share-based payment transactions – continued

Share options granted to directors, employees and other eligible persons – continued
For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. For those share options exercised before 3 March 2014 (the commencement date of the new CO), the amount previously recognised in share option reserve will be transferred to share premium and for those share options exercised on or after 3 March 2014, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

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

Share options granted on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005
The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the share options are exercised, and no charge is recognised in profit or loss in respect of the value of share options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium (for those share options exercised before 3 March 2014) or share capital (for those share options exercised on or after 3 March 2014).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefits costs

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2015, no deferred tax asset (2014: Nil) in relation to the estimated unused tax losses of approximately HK$259,021,000 (2014: HK$237,660,000) has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future. In cases where the actual future profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such an event takes place.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2015, the carrying amount of accounts receivable is approximately HK$302,427,000 (2014: HK$319,955,000) and no impairment loss has been recognised during the year (2014: reversal of impairment loss of HK$55,000).

5. CAPITAL RISK MANAGEMENT

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

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

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

5. CAPITAL RISK MANAGEMENT – continued

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**697,186**	611,261
Investments held for trading	**25,792**	10,500
Financial liabilities		
Amortised cost	**89,886**	117,367
Financial liability at FVTPL	**–**	9,852

Financial risk management objectives and policies

The Group's major financial instruments include convertible bond receivable, derivative financial asset, available-for-sale investments, accounts receivable, deposits and other receivables, investments held for trading, pledged bank deposits, bank balances and cash, accounts payable, other payables, short-term bank borrowings and financial liability at FVTPL. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

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

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to accounts receivable from brokerage and financing business such as cash clients, margin clients and brokers and short-term bank borrowings (see Notes 22 and 26). Bank balances are excluded from the interest rate sensitivity analysis as they are not sensitive to the change in market interest rates.

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

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates for the financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant throughout the respective year. A 10 basis points (2014: 10 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

	2015		2014	
	Change in basis points		Change in basis points	
	+10	**–10**	+10	–10
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Decrease (increase) in loss for the year	**190**	**(190)**	182	(182)

Other price risk

The Group are exposed to equity price risk through the Company's investment in listed equity securities which is classified as investments held for trading (see Note 24) and the warrants issued by the Company, which is classified as financial liability at FVTPL (see Note 27).

If the market price of the listed equity securities is 5% higher/lower, the Group's loss would decrease/increase by approximately HK$1,290,000 for the year ended 31 December 2015 (2014: HK$525,000) as a result of the change in fair value of investments held for trading.

As at 31 December 2014, the fair value of the warrants is affected by the market price of the Company's shares. If the Company's share price, which is used as an input to the valuation model for assessing the fair value of the warrants, is 5% higher/lower, while all other variables were held constant, the Group's loss would increase/decrease by approximately HK$2,058,000/HK$1,865,000 for the year ended 31 December 2014.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk

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

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

For the lending business to minimise the Group's exposure to credit risk, the Group closely evaluates the borrowers' credit rating, financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of individual account and on management's judgment, including the current creditworthiness of the borrowers, collateral value and the past collection history of each individual borrower.

For convertible bond, the Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any issuer. Such risk is monitored on a revolving basis and subject to periodic review.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong as at 31 December 2015 and 31 December 2014. As at 31 December 2015, the Group has concentration of credit risk on the accounts receivable as the aggregate balances with the five largest clients represent 34% (2014: 32%) of total accounts receivable. However, the fair values of the securities collateral held by the Group for these balances are in excess to the relevant carrying amounts. The Group has no other significant concentration of credit risk.

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

Liquidity risk

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

At 31 December 2015, the Group has available unutilised banking facilities of HK$90,000,000 (2014: HK$90,000,000).

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table

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

	Weighted average interest rate (p.a.)	**On demand or less than 1 month**	**1 – 3 months**	**3 months to 1 year**	**Total undiscounted cash flow**	**Total carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2015						
Non-derivative financial liabilities						
Accounts payable	**–**	**44,284**	**–**	**–**	**44,284**	**44,284**
Other payables	**–**	**4,433**	**1,030**	**139**	**5,602**	**5,602**
Short-term bank borrowings	**2.34**	**40,008**	**–**	**–**	**40,008**	**40,000**
		88,725	**1,030**	**139**	**89,894**	**89,886**

	Weighted average interest rate (p.a.)	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014						
Non-derivative financial liabilities						
Accounts payable	–	70,651	–	–	70,651	70,651
Other payables	–	5,589	1,010	117	6,716	6,716
Short-term bank borrowings	2.38	40,013	–	–	40,013	40,000
		116,253	1,010	117	117,380	117,367

6. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments

Financial assets and financial liabilities that are not measured at fair value

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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 assets and financial liability are disclosed in Notes 21, 24 and 27 respectively.

Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2015				
Investments held for trading	**25,792**	**–**	**–**	**25,792**
Derivative financial asset	**–**	**–**	**–**	**–**
Financial liability at FVTPL	**–**	**–**	**–**	**–**

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014				
Investments held for trading	10,500	–	–	10,500
Derivative financial asset *(Note)*	–	–	–	–
Financial liability at FVTPL	–	9,852	–	9,852

Note: The significant unobservable input is expected volatility. The relationship of this unobservable input to fair value is the higher the expected volatility, the higher the fair value of the derivative financial asset, and vice versa. If the expected volatility to the valuation model is 5% higher/lower, while all other variables were held constant, the fair value of the derivative financial asset would increase/decrease by approximately HK$4,000/Nil as at 31 December 2014.

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

6. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments – continued

Reconciliation of Level 3 fair value measurements of derivative financial asset

	HK$'000
At 1 January 2014	2,570
Loss on fair value change recognised in profit or loss	(2,570)
At 31 December 2014 and 31 December 2015	–

7. 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.

	2015 ***HK$'000***	2014 *HK$'000*
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**43,677**	42,537
Underwriting, sub-underwriting, placing and sub-placing commission	**1,690**	2,188
Arrangement, management, advisory and other fee income	**6,357**	3,085
Interest income from clients	**28,071**	30,344
	79,795	78,154
Other income		
Interest income from authorised institutions	**519**	386
Interest income from convertible bond receivable	**1,970**	3,716
Sundry income	**1**	7
	2,490	4,109
Total income	**82,285**	82,263

7. REVENUE AND SEGMENT INFORMATION – continued

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group operates financial services business and classifies its business into three operating segments, namely brokerage 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 follows:

(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 years ended 31 December 2015 and 2014.

Year ended 31 December 2015

	Brokerage and financing	Corporate finance	Asset management	Segment total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	73,438	6,357	–	79,795	–	79,795
Inter-segment sales	–	80	–	80	(80)	–
	73,438	6,437	–	79,875	(80)	79,795
Segment profit (loss)	362	(3,937)	(1,475)	(5,050)	–	(5,050)
Elimination of intra-group costs						15,038
Central administrative costs						(30,528)
Fair value change on financial liability at FVTPL						(670)
Net realised and unrealised gain on investments held for trading						8,667
Loss before taxation for the year						(12,543)

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2015 – continued

Other segment information

	Brokerage and financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Segment total HK$'000	Adjustments HK$'000 (Note)	Total HK$'000
Amounts included in the measure of segment profit or loss:						
Interest income from authorised institutions and convertible bond receivable	(298)	(40)	(25)	(363)	(2,126)	(2,489)
Staff costs	36,252	5,918	986	43,156	22,587	65,743
Commission expenses	5,815	100	–	5,915	–	5,915
Depreciation of property and equipment	992	15	2	1,009	685	1,694
Finance costs	2,025	69	–	2,094	(1,342)	752
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	32	–	–	32	–	32

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2014

	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	75,469	2,685	–	78,154	–	78,154
Inter-segment sales	24	460	–	484	(484)	–
	75,493	3,145	–	78,638	(484)	78,154
Segment profit (loss)	983	(6,848)	(298)	(6,163)	–	(6,163)
Elimination of intra-group costs						15,823
Central administrative costs						(21,946)
Fair value change on financial liability at FVTPL						9,771
Fair value change on derivative financial asset						(2,570)
Net realised and unrealised gain on investments held for trading						789
Loss on deregistration of a subsidiary						(956)
Impairment loss on other receivables						(2,778)
Impairment loss on available-for-sale investments						(50)
Loss before taxation for the year						(8,080)

7. REVENUE AND SEGMENT INFORMATION – continued

Year ended 31 December 2014 – continued

Other segment information

	Brokerage and financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Segment total HK$'000	Adjustments HK$'000 (Note)	Total HK$'000
Amounts included in the measure of segment profit or loss:						
Interest income from authorised institutions and convertible bond receivable	(228)	(103)	(52)	(383)	(3,719)	(4,102)
Staff costs	36,675	5,748	127	42,550	17,651	60,201
Commission expenses	4,655	10	–	4,665	–	4,665
Depreciation of property and equipment	984	14	–	998	636	1,634
Reversal of impairment loss on accounts receivable, net	(55)	–	–	(55)	–	(55)
Finance costs	3,448	90	–	3,538	(2,812)	726
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	223	–	–	223	–	223

Note: Adjustments include the central administrative costs that are not directly allocated to the three operating segments and also represent the intra-group finance costs and management fee which are eliminated at consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group costs, central administrative costs, fair value change on financial liability at FVTPL, fair value change on derivative financial asset, net realised and unrealised gain on investments held for trading, loss on deregistration of a subsidiary, impairment loss on other receivables and impairment loss on available-for-sale investments. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION – continued

In 2015 and 2014, 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 both 2015 and 2014. All of its non-current assets are attributed to the operations in Hong Kong.

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

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2015	2014
	HK$'000	*HK$'000*
Staff commission	**21,311**	21,594
Salaries and wages	**37,250**	32,625
Staff welfare	**1,528**	1,506
Recruitment costs	**170**	72
Provision of long service payment/annual leave benefits	**268**	29
Retirement benefits scheme contributions	**1,330**	1,203
Discretionary and performance related incentive payments	**3,886**	3,172
	65,743	60,201

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

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The contribution amount is capped at HK$1,500 per employee per month.

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

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

(a) Directors' emoluments

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

	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Discretionary and performance related incentive payments	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note 1)	
2015					
Executive Directors					
Tin Ka Pak, Timmy	–	1,334	18	120	1,472
Chau King Fai, Philip	–	2,209	18	182	2,409
Cheng Tze Kit, Larry	–	2,173	18	182	2,373
So Wai Yee, Betty	–	1,505	18	125	1,648
Lin Hoi Kwong, Aristo *(Note 2)*	–	1,080	13	120	1,213
Non-executive Director					
Chung Chi Shing, Eric *(Note 3)*	161	–	–	–	161
Independent Non-executive Directors					
Ip Chun Chung, Robert	216	–	–	–	216
Wong Chung Kin, Quentin	216	–	–	–	216
Wong Kam Choi, Kerry, MH	216	–	–	–	216
	809	8,301	85	729	9,924

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

(a) Directors' emoluments – continued

	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Discretionary and performance related incentive payments	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note 1)	
2014					
Executive Directors					
Tin Ka Pak, Timmy	–	989	17	82	1,088
Chau King Fai, Philip	–	2,146	17	175	2,338
Cheng Tze Kit, Larry	–	2,096	17	175	2,288
So Wai Yee, Betty	–	1,451	17	120	1,588
Independent Non-executive Directors					
Ip Chun Chung, Robert	216	–	–	–	216
Wong Chung Kin, Quentin	216	–	–	–	216
Wong Kam Choi, Kerry, MH	216	–	–	–	216
	648	6,682	68	552	7,950

Notes:

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

(2) Mr. Lin Hoi Kwong, Aristo was appointed as the Executive Director of the Company with effect from 1 April 2015.

(3) Mr. Chung Chi Shing, Eric was appointed as the Non-executive Director of the Company with effect from 12 March 2015.

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

(a) Directors' emoluments – continued

The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The Non-executive Director's and the Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Tin Ka Pak, Timmy is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

For the years ended 31 December 2015 and 2014, no share options were granted to the Directors of the Company to subscribe for ordinary shares of the Company in respect of their services provided to the Group. Further details of which are set out in Note 29.

For the years ended 31 December 2015 and 2014, no ordinary shares were awarded to the Directors of the Company under the Share Purchase Scheme in respect of their services provided to the Group. Further details of which are set out in Note 29.

(b) Senior management's emoluments

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

	Number of individuals	
	2015	2014
Emolument bands		
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**2**	2

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

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

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2014: three) were Directors of the Company whose emoluments are included in Note 9(a) above. The emoluments of the remaining two individuals (2014: two) were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	**4,102**	3,957
Retirement benefits scheme contributions	**36**	33
Discretionary and performance related incentive payments	**343**	330
	4,481	4,320

The emoluments of the above individuals who are not Directors of the Company fell within the following band:

	Number of individuals	
	2015	2014
Emolument band		
HK$2,000,001 – HK$2,500,000	**2**	2

During the years ended 31 December 2015 and 2014, no Directors of the Company waived or agreed to waive any emoluments. No emolument has been paid to the Directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts	**752**	726

11. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Fair value change on financial liability at FVTPL *(Note 27)*	**(670)**	9,771
Fair value change on derivative financial asset *(Note 21)*	**–**	(2,570)
Net realised and unrealised gain on investments held for trading	**8,667**	789
Loss on deregistration of a subsidiary *(Note a)*	**–**	(956)
Impairment loss on other receivables *(Note b)*	**–**	(2,778)
Impairment loss on available-for-sale investments	**–**	(50)
Reversal of impairment loss on accounts receivable, net	**–**	55
Gain on disposal of property and equipment	**95**	12
Net exchange loss	**(55)**	(11)
	8,037	4,262

Notes:

(a) VC Capital (Shenzhen) Limited (the "deregistered entity"), a wholly owned subsidiary of the Group, which was engaged in the provision of consultancy services in the PRC, was deregistered in December 2014. The loss on deregistration represented the exchange reserve amounting to approximately HK$956,000 arisen from the assets and liabilities of the deregistered entity when they were translated into the presentation currency of the Group, which was reclassified to profit or loss for the year ended 31 December 2014. No other profit or loss and cash flow effects resulted as the deregistered entity had no assets or liabilities at the date of deregistration.

(b) For the year ended 31 December 2014, the Group recognised an impairment loss of approximately HK$2,778,000 on the loan (included in other receivables) to an investee which was classified as available-for-sale investments (see Note 19).

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2015 HK$'000	2014 HK$'000
Included in other operating expenses:		
Auditor's remuneration	**1,033**	1,033
Operating leases in respect of land and buildings	**8,184**	7,762

13. INCOME TAX EXPENSE

The amount of tax charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2015 HK$'000	2014 HK$'000
Current tax		
Hong Kong Profits Tax	32	223

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2015 HK$'000	2014 HK$'000
Loss before taxation	(12,543)	(8,080)
Calculated at Hong Kong Profits Tax rate of 16.5%	(2,070)	(1,333)
Tax effect of income not taxable for tax purpose	(262)	(1,993)
Tax effect of expenses not deductible for tax purpose	96	1,052
Tax effect of (deductible) taxable temporary difference not recognised	(1,257)	173
Utilisation of previously unrecognised tax losses	(127)	(182)
Tax effect of tax losses not recognised	3,652	2,506
Tax charge for the year	32	223

At 31 December 2015, the Group has estimated unused tax losses and taxable temporary differences of approximately HK$259,021,000 and HK$7,609,000 respectively (2014: HK$237,660,000 and HK$105,000 respectively).

No deferred tax asset has been recognised as at 31 December 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.

14. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31 December 2015 (2014: Nil).

15. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to the owners of the Company)	**(12,575)**	(8,303)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**518,094**	414,073

The diluted loss per share for the years ended 31 December 2015 and 2014 are computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

16. TRADING RIGHTS

	HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	5,066
Amortisation	
At 1 January 2014, 31 December 2014 and 31 December 2015	5,066
Carrying value	
At 31 December 2014 and 31 December 2015	–

Trading rights are amortised over 10 years from 6 March 2000 (the effective date of the merger of the Stock Exchange, HKFE and Hong Kong Securities Clearing Company Limited).

17. OTHER INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	1,538
Accumulated impairment	
At 1 January 2014, 31 December 2014 and 31 December 2015	292
Carrying value	
At 31 December 2014 and 31 December 2015	1,246

Other intangible assets represent club memberships with indefinite useful lives and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts based on fair value less costs to sell. The fair value is determined using an observable market price or recent market transaction price and no indication of impairment was noted during the years ended 31 December 2015 and 2014.

18. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2014	3,871	6,342	9,186	462	19,861
Additions	–	64	129	–	193
Written off/disposal	–	(73)	(397)	–	(470)
At 31 December 2014	3,871	6,333	8,918	462	19,584
Additions	–	51	1,450	1,649	3,150
Written off/disposal	–	(6)	(1,009)	(462)	(1,477)
At 31 December 2015	3,871	6,378	9,359	1,649	21,257
Depreciation					
At 1 January 2014	2,499	5,637	7,574	123	15,833
Charge for the year	610	230	701	93	1,634
Written off/disposal	–	(73)	(397)	–	(470)
At 31 December 2014	3,109	5,794	7,878	216	16,997
Charge for the year	610	159	684	241	1,694
Written off/disposal	–	(6)	(1,009)	(277)	(1,292)
At 31 December 2015	3,719	5,947	7,553	180	17,399
Carrying values					
At 31 December 2015	152	431	1,806	1,469	3,858
At 31 December 2014	762	539	1,040	246	2,587

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

Leasehold improvements	Over the lease term not exceeding three years
Furniture, fixtures and equipment	20%
Computer equipment and software	33⅓%
Motor vehicles	20%

19. AVAILABLE-FOR-SALE INVESTMENTS

	HK$'000
Cost	
At 1 January 2014	500
Addition	50
At 31 December 2014 and 31 December 2015	550
Accumulated impairment	
At 1 January 2014	500
Impairment loss recognised for the year	50
At 31 December 2014 and 31 December 2015	550
Carrying value	
At 31 December 2014 and 31 December 2015	–
Analysed for reporting purpose as non-current assets	
At 31 December 2014 and 31 December 2015	–

The above investments represent investment in unlisted equity securities issued by two private entities incorporated in Hong Kong and the British Virgin Islands and their principal activities are investment holding in the PRC and operation of restaurants in Hong Kong respectively. They are measured at cost less impairment at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

In 2014, the Group invested in a private entity with an investment cost of HK$50,000 and granted a loan of approximately HK$2,778,000 (included in other receivables) to that entity, which is unsecured, interest-free and repayable on demand. For the year ended 31 December 2014, the Group recognised full impairment losses on such investment cost and loan amount (see Note 11) as the entity had negative operating cash flow and sustained loss during the year and the Group considered the investment and loan amounts may not be recoverable.

20. CONVERTIBLE BOND RECEIVABLE

On 3 July 2013, the Company subscribed a non-listed Hong Kong dollar denominated convertible bond of 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 has a maturity of two years. The convertible bond is convertible into ordinary shares of the issuer at a conversion price of HK$0.79 per share (which was adjusted to HK$0.65 per share from 23 January 2015) at any time from the day immediately following three months after the issue date up to the maturity date. On 2 July 2015, the convertible bond matured and were fully redeemed in cash by the issuer.

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.

	2015	2014
	HK$'000	*HK$'000*
Loan portion		
Carrying amount at end of the year	**–**	18,833

21. DERIVATIVE FINANCIAL ASSET

The convertible bond as disclosed in Note 20 includes embedded equity conversion option. The embedded derivative is separated from the convertible bond and accounted for as derivative financial asset in the consolidated statement of financial position, which is measured at fair value with changes in fair value recognised in profit or loss.

The embedded derivative was derecognised upon the maturity of the convertible bond on 2 July 2015.

The fair value of the embedded derivative as at 31 December 2014 was determined using the Binomial pricing model in accordance with a valuation report prepared by an independent professional valuer. The inputs into the model were as follows:

	As at 31 December 2014
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%

21. DERIVATIVE FINANCIAL ASSET – continued

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

	HK$'000
At 1 January 2014	2,570
Fair value change recognised in profit or loss	(2,570)
At 31 December 2014 and 31 December 2015	–

22. ACCOUNTS RECEIVABLE

	2015 **HK$'000**	2014 HK$'000
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions:		
Clearing house and brokers *(Note a)*	**24,034**	40,847
Cash clients *(Note b)*	**13,273**	25,420
Margin clients *(Note c)*	**254,385**	232,799
Futures and options contracts transactions:		
Clearing house	**7**	10
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note d)*	**608**	709
Accounts receivable arising from the ordinary course of business of money lending services *(Note e)*	**10,120**	20,170
	302,427	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.

22. ACCOUNTS RECEIVABLE – continued

The gross amounts of accounts receivable set off in the consolidated statement of financial position are set out below:

	Gross amounts of accounts receivable	Gross amounts of accounts payable set off in the consolidated statement of financial position	Net amounts of accounts receivable in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015						
Accounts receivable arising from the ordinary course of business of dealing in securities transactions	**348,706**	**(57,014)**	**291,692**	**(110)**	**(255,932)**	**35,650**

	Gross amounts of accounts receivable	Gross amounts of accounts payable set off in the consolidated statement of financial position	Net amounts of accounts receivable in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014						
Accounts receivable arising from the ordinary course of business of dealing in securities transactions	458,012	(158,946)	299,066	(4,738)	(252,516)	41,812

22. ACCOUNTS RECEIVABLE – continued

The credit quality of accounts receivable are summarised as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**301,066**	317,733
Past due but not impaired *(Note f)*	**1,361**	2,222
	302,427	319,955
Less: Allowance for impairment *(Note g)*	**–**	–
	302,427	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 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 date 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 transactions, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**35,953**	64,455
31 – 90 days	**53**	111
Over 90 days	**1,308**	1,711
	37,314	66,277

As at 31 December 2015, accounts receivable of approximately HK$91,000 (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.

22. ACCOUNTS RECEIVABLE – continued

Notes:

(a) Accounts receivable due from brokers bear interest at commercial rates when they become past due.

(b) As at 31 December 2015, the cash clients' listed securities held by the Group with fair value of approximately HK$365,178,000 (2014: HK$299,030,000) in relation to the receivables of approximately HK$13,273,000 (2014: HK$25,420,000) that were not impaired. As at 31 December 2015 and 31 December 2014, no accounts receivable due from cash clients were impaired.

No such listed securities held can be pledged by the Group and the corresponding listed securities held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Cash clients' receivables which are past due bear interest at commercial rates.

(c) As at 31 December 2015, accounts receivable due from margin clients were secured by the clients' pledged listed securities which carried a fair value of approximately HK$1,100,277,000 (2014: HK$934,088,000) in relation to the receivables of approximately HK$254,385,000 (2014: HK$232,799,000) that were not impaired. As at 31 December 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 collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of the securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Margin clients' receivables are repayable on demand and bear interest at commercial rates.

(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 normally due immediately from date of billing but the Group may 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:

	2015 ***HK$'000***	2014 *HK$'000*
Within 30 days	**608**	309
31 – 90 days	**–**	400
	608	709

(e) As at 31 December 2015, accounts receivable arising from the ordinary course of business of money lending services were secured and bear fixed-rate interest at 1.2% (2014: 1.7%) per month. The accounts receivable as at 31 December 2015 and 31 December 2014 had remaining contractual maturity date falling within one year and were secured by the client's pledged listed securities and the corporate guarantee provided by the client's holding company respectively.

22. ACCOUNTS RECEIVABLE – continued

Notes: – continued

(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 dates is as follows:

	2015	2014
	HK$'000	*HK$'000*
31 – 90 days	**53**	511
Over 90 days	**1,308**	1,711
	1,361	2,222

As at 31 December 2015, these receivables included cash clients' receivable of approximately HK$1,361,000 (2014: HK$1,822,000). No impairment loss had been provided as the fair values of the securities deposited by those cash clients and 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 follows:

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**–**	58
Reversal of impairment loss, net	**–**	(55)
Amounts written off as uncollectible	**–**	(3)
At end of the year	**–**	–

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.

23. OTHER FINANCIAL ASSETS AND LIABILITIES

Deposits and other receivables

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

Pledged bank deposits

As at 31 December 2015, the Group has placed a bank deposit of HK$40,000,000 (2014: HK$40,000,000) at interest rate of 0.45% (2014: 0.52%) per annum to a bank to secure banking facilities of HK$80,000,000 (2014: HK$80,000,000) in short-term money market loan and current account overdraft. Bank borrowings of HK$40,000,000 was drawn down from these facilities as at 31 December 2015 (2014: HK$40,000,000).

Bank balances and cash

The amounts comprise cash and short-term bank deposits held by the Group at market interest rates ranging from 0.001% to 0.79% (2014: 0.001% to 1.36%) per annum with an original maturity of three months or less.

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, VC Futures Limited and VC Capital Limited act as trustees that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated statement of financial position. As at 31 December 2015, the Group maintained segregated accounts at one clearing house of approximately HK$1,527,000 (2014: HK$1,661,000) and at other authorised institutions of approximately HK$227,947,000 (2014: HK$186,339,000) in conjunction with its securities, futures and options brokering and dealing business, and corporate financial advisory business as a result of the normal business transactions, which are not otherwise dealt with in the consolidated financial statements.

24. INVESTMENTS HELD FOR TRADING

	2015	2014
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value	**25,792**	10,500

25. ACCOUNTS PAYABLE

	2015 *HK$'000*	2014 *HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Notes a and b)*:		
Cash clients	**26,145**	68,293
Margin clients	**18,139**	2,358
	44,284	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 the fact that all these accounts payable are promptly settled two trading days after the trade date.

(b) As at 31 December 2015, accounts payable of approximately HK$872,000 (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.

25. ACCOUNTS PAYABLE – continued

The gross amounts of accounts payable set off in the consolidated statement of financial position are set out below:

	Gross amounts of accounts payable HK$'000	Gross amounts of accounts receivable set off in the consolidated statement of financial position HK$'000	Net amounts of accounts payable in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral pledged HK$'000	Net amount HK$'000
At 31 December 2015						
Accounts payable arising from the ordinary course of business of dealing in securities transactions	**101,298**	**(57,014)**	**44,284**	**(110)**	**–**	**44,174**

	Gross amounts of accounts payable HK$'000	Gross amounts of accounts receivable set off in the consolidated statement of financial position HK$'000	Net amounts of accounts payable in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral pledged HK$'000	Net amount HK$'000
At 31 December 2014						
Accounts payable arising from the ordinary course of business of dealing in securities transactions	229,597	(158,946)	70,651	(4,738)	–	65,913

26. SHORT-TERM BANK BORROWINGS

	2015 *HK$'000*	2014 *HK$'000*
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits (see Note 23) and bore an interest rate at HIBOR plus 2% per annum as at 31 December 2015 and 31 December 2014.

27. 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.

In late July 2015, a total of 47,200,000 Warrants out of the 80,000,000 Warrants were exercised. Accordingly, the Company issued 47,200,000 subscription shares of the Company at a subscription price of HK$1.20 each under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 24 May 2012. It provided net proceeds of approximately HK$56.6 million to the Company. The balance of 32,800,000 Warrants expired on 1 August 2015. The aggregate of the net issue price of the Warrant and the subscription price of the subscription share was approximately HK$1.218 each, which represented a discount of approximately 4.09% to the closing market price of the Company's shares on 15 May 2013, the date on which the Warrant's placing agreement was signed. The 47,200,000 subscription shares rank pari passu with other shares of the Company in issue in all respects. As at 31 December 2015, the aforesaid net proceeds had not been used and will be used for the Group's general working capital and/or possible investment in the future.

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

The fair value of the Warrants as at 31 December 2014 was calculated using the Binomial pricing model in accordance with valuation report prepared by an independent professional valuer. The parameters were as follows:

	As at 31 December 2014
Spot price of the Company	HK$1.06
Risk free rate (a yield of 0.58 year Hong Kong Exchange Fund Notes)	0.074%
Expected volatility (historical volatility of the Company's share price over the previous 1 year)	53.909%
Dividend yield	0%
Warrant life	0.58 year

27. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS – continued

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

	HK$'000
At 1 January 2014	19,623
Fair value change recognised in profit or loss	(9,771)
At 31 December 2014	9,852
Fair value change recognised in profit or loss	670
Exercise of Warrants	(10,522)
At 31 December 2015	–

28. SHARE CAPITAL

	Authorised Ordinary shares Number of shares	Amount HK$'000
At 1 January 2014	10,000,000,000	1,000,000
At 31 December 2014 and 31 December 2015	N/A *(Note a)*	N/A *(Note a)*

	Issued and fully paid Ordinary shares Number of shares	Amount HK$'000
At 1 January 2014	411,806,829	41,181
Transfer from share premium upon abolition of par value *(Note b)*	–	438,855
Issue of shares upon exercise of share options	6,360,000	6,638
At 31 December 2014	418,166,829	486,674
Issue of shares by placement *(Note c)*	82,600,000	80,948
Transaction costs attributable to issue of shares by placement	–	(1,221)
Issue of shares upon exercise of warrants *(Note 27)*	47,200,000	67,162
Transaction costs attributable to issue of shares upon exercise of warrants	–	(7)
Issue of shares upon exercise of share options	4,250,000	6,295
At 31 December 2015	552,216,829	639,851

28. SHARE CAPITAL – continued

Notes:

(a) Under the new CO, with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

(b) In accordance with the transitional provisions set out in section 37 of schedule 11 to the new CO, any amount standing to the credit of the share premium account on 3 March 2014 had become part of the Company's share capital. The share premium account of the Group included an amount of HK$2,423,000 in respect of an intra-group transaction eliminated at consolidation in prior years.

(c) 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 of the Company (the "Placing Share(s)") to not less than six independent parties 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 Placing Shares were issued under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 29 May 2014. The net proceeds from the placement amounted to approximately HK$79.7 million and the net issue price per Placing Share was approximately HK$0.965. The 82,600,000 Placing Shares rank pari passu with other shares of the Company in issue in all respects. As at 31 December 2015, the aforesaid net proceeds of approximately HK$33 million and HK$8.7 million were used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and the settlement of corporate administrative expenses respectively and the remaining balance will be used for the Group's other general working capital and possible investment in the future.

29. SHARE OPTIONS AND SHARE AWARDS

Share option schemes

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

At an extraordinary general meeting of the Company held on 29 November 2001, the shareholders of the Company approved the adoption of a share option scheme (the "GEM Share Option Scheme") which superseded the previous share option scheme of the Company adopted on 14 March 2001. The GEM Share Option Scheme was conditionally terminated by the Board on 7 August 2008. Upon the listing of shares of the Company was transferred from the Growth Enterprise Market (the "GEM") of the Stock Exchange to the Main Board of the Stock Exchange on 15 August 2008, the termination of the GEM Share Option Scheme became effective. Thereafter, no further share options may be offered or granted under the GEM Share Option Scheme. Pursuant to the provisions of the GEM Share Option Scheme, share options previously granted but unexercised under the GEM Share Option Scheme will remain valid and exercisable in accordance with their terms of issues.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2009, the Company adopted a new share option scheme (the "2009 Share Option Scheme") (the GEM Share Option Scheme and the 2009 Share Option Scheme collectively are referred to as the "Schemes").

29. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

As at 31 December 2015, no share options had been granted and remained outstanding. As at 31 December 2014, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 4,250,000, representing approximately 1.02% of the shares of the Company in issue as at 31 December 2014. The closing price of the Company's shares immediately before 6 June 2012 and 24 September 2012 were HK$0.99 and HK$1.10 per share respectively. The share options granted under the 2009 Share Option Scheme have a duration of 3 years from the date of grant, i.e. between 6 June 2012 to 5 June 2015 and between 24 September 2012 to 23 September 2015. The share options granted on 6 June 2012 and 24 September 2012 are vested immediately. Any share options granted shall normally lapse upon the expiration of 3 months after the relevant grantee ceases to be an employee of the Group. The Board has the discretion to amend the terms of the Schemes.

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

Year ended 31 December 2015

			Number of share options				
Categories of grantees	Grant date	Exercise price per share	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2015
Directors of the Company	6 June 2012	HK$1.04	500,000	–	(500,000)	–	–
Directors of the Company	24 September 2012	HK$1.17	2,750,000	–	(2,750,000)	–	–
Employees	24 September 2012	HK$1.17	1,000,000	–	(1,000,000)	–	–
			3,750,000	–	(3,750,000)	–	–
Total			4,250,000	–	(4,250,000)	–	–
Exercisable as at 31 December 2015							–
Weighted average exercise price			HK$1.15	–	HK$1.15	–	–

29. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

Year ended 31 December 2014

			Number of share options				
Categories of grantees	Grant date	Exercise price per share	Balance as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2014
Other eligible persons	25 March 2004	HK$0.64	100,000	–	–	(100,000)	–
Directors of the Company	10 October 2011	HK$0.794	2,000,000	–	(2,000,000)	–	–
Employees	10 October 2011	HK$0.794	3,740,000	–	(3,360,000)	(380,000)	–
Other eligible persons	10 October 2011	HK$0.794	1,000,000	–	(500,000)	(500,000)	–
			6,740,000	–	(5,860,000)	(880,000)	–
Directors of the Company	6 June 2012	HK$1.04	500,000	–	–	–	500,000
Directors of the Company	24 September 2012	HK$1.17	3,250,000	–	(500,000)	–	2,750,000
Employees	24 September 2012	HK$1.17	1,000,000	–	–	–	1,000,000
			4,250,000	–	(500,000)	–	3,750,000
Total			11,590,000	–	(6,360,000)	(980,000)	4,250,000
Exercisable as at 31 December 2014							4,250,000
Weighted average exercise price			HK$0.94	–	HK$0.82	HK$0.78	HK$1.15

In respect of the share options exercised during the year ended 31 December 2015, the weighted average share price of the Company when the share options were exercised was HK$1.50 (2014: HK$1.25).

The Group did not recognise any expenses for the years ended 31 December 2015 and 2014 in relation to share options granted under the Schemes.

29. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes

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

The purpose of each of the Share Subscription Scheme and the Share Purchase Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of employees of the Company and any subsidiaries of the Company (excluding Directors of the Company and any subsidiaries and other connected persons of the Company in respect of the Share Subscription Scheme). The Board may determine from time to time to award shares in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group.

Share Subscription Scheme

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

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

Share Purchase Scheme

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

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

For the years ended 31 December 2015 and 2014, there was no movement or outstanding awarded shares under the Share Purchase Scheme.

30. COMMITMENTS

(a) Capital commitments

As at 31 December 2015, the Group has made commitments contracted but not provided for in respect of purchase of property and equipment for an amount of approximately HK$39,000 (2014: HK$133,000).

(b) Commitments under operating leases

As at 31 December 2015 and 31 December 2014, 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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**3,734**	7,791
In the second to fifth years inclusive	**3,109**	1,984
	6,843	9,775

Operating lease payments represent rentals payable by the Group for certain of its office and apartment premises. Rentals are fixed for lease terms of 1 to 3 years (2014: 0.5 to 3 years).

31. RELATED PARTY TRANSACTIONS

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

	2015	2014
	HK$'000	*HK$'000*
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors and key management personnel	**294**	232

The balances with related parties are set out in Notes 22 and 25.

31. RELATED PARTY TRANSACTIONS – continued

Compensation of key management personnel

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

	2015	2014
	HK$'000	*HK$'000*
Short term benefits	**15,691**	13,413
Post employment benefits	**139**	117
Reversal of other long-term benefits	**–**	(6)
	15,830	13,524

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

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation	Principal activities and place of operation	Class of shares held/ paid up issued share capital	Effective interest held	
				2015	2014
VC Financial Group Limited [1]	British Virgin Islands	Investment holding in Hong Kong	Ordinary share/ US$1	**100%**	100%
VC Brokerage Limited [2]	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	Ordinary shares/ HK$330,000,000	**100%**	100%
VC Futures Limited [2]	Hong Kong	Provision of futures and options contracts dealing services in Hong Kong	Ordinary shares/ HK$30,000,000	**100%**	100%
VC Capital Limited [2]	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	Ordinary shares/ HK$55,000,000	**100%**	100%
VC Asset Management Limited [2]	Hong Kong	Provision of asset management services to clients in Hong Kong	Ordinary shares/ HK$30,000,000	**100%**	100%

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Details of the Group's principal subsidiaries at the end of the reporting period are set out below: – continued

Name	Place of incorporation	Principal activities and place of operation	Class of shares held/ paid up issued share capital	Effective interest held	
				2015	2014
VC Finance Limited [2]	Hong Kong	Money lending in Hong Kong	Ordinary shares/ HK$1,000,000	**100%**	100%
VC Services Limited [1]	Hong Kong	Provision of management services to group companies in Hong Kong	Ordinary shares/ HK$10,000	**100%**	100%
VC Research Limited [2]	Hong Kong	Provision of research services in Hong Kong	Ordinary shares/ HK$500,000	**100%**	100%

1 Shares held directly by the Company.

2 Shares held indirectly by the Company.

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

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. Among which, seven subsidiaries are incorporated in Hong Kong and seven subsidiaries are incorporated in British Virgin Islands. These subsidiaries were either inactive or investment holding companies during the year.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investments in subsidiaries	**40,129**	55,140
Amounts due from subsidiaries	**392,558**	380,558
	432,687	435,698
Current assets		
Prepayments, deposits and other receivables	**156**	958
Investments held for trading	**25,792**	10,500
Convertible bond receivable	**–**	18,833
Amounts due from subsidiaries	**59,356**	41,228
Bank balances	**126,189**	19,978
	211,493	91,497
Current liabilities		
Accrued liabilities and other payables	**393**	533
Amounts due to a subsidiary	**3,662**	7,764
Financial liability at fair value through profit or loss	**–**	9,852
	4,055	18,149
Net current assets	**207,438**	73,348
Total assets less current liabilities	**640,125**	509,046
Capital and reserves		
Share capital	**637,428**	484,251
Reserves	**2,697**	24,795
Total equity	**640,125**	509,046

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 March 2016 and are signed on its behalf by:

Tin Ka Pak, Timmy
DIRECTOR

So Wai Yee, Betty
DIRECTOR

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Movement in the Company's equity

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2014	41,181	436,432	123,758	(71,084)	2,972	533,259
Loss for the year representing total comprehensive income for the year	–	–	–	(29,451)	–	(29,451)
Transfer upon abolition of par value *(Note 2)*	436,432	(436,432)	–	–	–	–
Issue of shares upon exercise of share options	5,238	–	–	–	–	5,238
Transfer of share option reserve upon exercise of share options	1,400	–	–	–	(1,400)	–
Reversal of share option reserve upon lapse of share options	–	–	–	185	(185)	–
At 31 December 2014	484,251	–	123,758	(100,350)	1,387	509,046
Loss for the year representing total comprehensive income for the year	–	–	–	(20,711)	–	(20,711)
Issue of shares upon exercise of share options	6,295	–	–	–	(1,387)	4,908
Issue of shares by placement	80,948	–	–	–	–	80,948
Transaction costs attributable to issue of shares by placement	(1,221)	–	–	–	–	(1,221)
Issue of shares upon exercise of warrants	67,162	–	–	–	–	67,162
Transaction costs attributable to issue of shares upon exercise of warrants	(7)	–	–	–	–	(7)
At 31 December 2015	637,428	–	123,758	(121,061)	–	640,125

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Notes:

(1) 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 losses, 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.

(2) The abolition of par value under the new Hong Kong Companies Ordinance was effective on 3 March 2014. On that date, any amount standing to the credit of the share premium account had become part of the Company's share capital.

34. EVENT AFTER THE REPORTING PERIOD

On 4 January 2016, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company ("Possible Transaction"). However, on the date of this annual report, the Company further announced that the discussions between the potential investor and the Company had ceased. No formal or legally binding agreement for the Possible Transaction had been entered into between the parties and the transaction would not proceed.

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

	For the year ended 31 December				
	2015	2014	2013	2012	2011
Consolidated results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**79,795**	78,154	74,382	65,172	92,865
Other income	**2,490**	4,109	2,750	2,104	608
Staff costs	**(65,743)**	(60,201)	(65,469)	(67,098)	(80,466)
Commission expenses	**(5,915)**	(4,665)	(4,605)	(4,287)	(3,668)
Depreciation of property and equipment	**(1,694)**	(1,634)	(1,326)	(1,576)	(1,960)
Finance costs	**(752)**	(726)	(921)	(896)	(856)
Other operating expenses	**(28,761)**	(27,379)	(28,736)	(27,689)	(27,788)
Other gains and losses	**8,037**	4,262	(18,065)	(2,084)	(5,429)
Loss before taxation	**(12,543)**	(8,080)	(41,990)	(36,354)	(26,694)
Income tax (expense) credit	**(32)**	(223)	1,249	(1,216)	(550)
Loss for the year	**(12,575)**	(8,303)	(40,741)	(37,570)	(27,244)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations	**–**	(1)	(24)	(2)	13
Reclassification adjustment for exchange reserve realised on deregistration of a subsidiary	**–**	956	–	–	–
Other comprehensive income for the year	**–**	955	(24)	(2)	13
Total comprehensive income for the year	**(12,575)**	(7,348)	(40,765)	(37,572)	(27,231)
Loss for the year attributable to:					
Owners of the Company	**(12,575)**	(8,303)	(40,741)	(37,243)	(26,660)
Non-controlling interests	**–**	–	–	(327)	(584)
	(12,575)	(8,303)	(40,741)	(37,570)	(27,244)
Total comprehensive income for the year attributable to:					
Owners of the Company	**(12,575)**	(7,348)	(40,765)	(37,245)	(26,647)
Non-controlling interests	**–**	–	–	(327)	(584)
	(12,575)	(7,348)	(40,765)	(37,572)	(27,231)
Loss per share (HK cents)					
Basic	**(2.43)**	(2.01)	(9.98)	(9.21)	(6.67)
Diluted	**(2.43)**	(2.01)	(9.98)	(9.21)	(6.67)

Five Years' Financial Summary

Consolidated assets and liabilities	**2015** ***HK$'000***	2014 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*	2011 *HK$'000*
	As at 31 December				
Total assets	**734,486**	631,858	590,423	629,823	635,913
Total liabilities	**(94,027)**	(130,614)	(87,069)	(90,903)	(66,005)
	640,459	501,244	503,354	538,920	569,908
Equity attributable to owners of the Company	**640,459**	501,244	503,354	538,920	568,729
Non-controlling interests	**–**	–	–	–	1,179
	640,459	501,244	503,354	538,920	569,908