VC GROUP
滙盈集團

Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)
Website: http://www.vcgroup.com.hk
(Stock code: 821)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2009

The board of directors of Value Convergence Holdings Limited (the "Company" or "Value Convergence") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2009. The unaudited condensed consolidated interim results have been reviewed by the audit committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the period under review, the economic conditions in Hong Kong continued to be challenging. The global financial crisis has undermined equity markets worldwide. Investor jittery is expected for markets at large with the global economy recovering very slowly and at a still uncertain pace. The daily average turnover of the Hong Kong stock market for the first half of 2009 was about HK$58 billion compared to approximately HK$87 billion for same period in 2008, a drop of 33% or HK$29 billion. The decline in overall trading volume reflected investor reservation resulting from the lack of direction of the market.

For the six months ended 30th June 2009, the Group posted revenue of approximately HK$63.7 million, down by HK$9 million or 12.4%, compared with the corresponding period in 2008. The Group's unaudited consolidated net profit after taxation for the first half of 2009 fell 37.9% year on year to HK$4.7 million, but was a substantial improvement when compared with the marginal loss for the second half of last year.

Brokerage

In the first half of 2009, although average market turnover shrank by more than 33% year-on-year, the Group was able to increase market share thanks to its proactive business strategy and efforts in boosting relationship with clients. With market turnover down and IPO activities held back, revenue from brokerage business and interest income from margin financing business both dropped and the latter substantially compared with the same period last year. Net brokerage commission income was down by a slight 4.6% to HK$19 million. For the six months ended 30th June 2009, our average loan portfolio for margin financing was squeezed by 42% year-on-year to HK$270 million, resulting in a 48.5% decline in revenue from interest income to HK$10.6 million. Furthermore, asset quality remained benign with more than needed provision for the Group to write back HK$2.2 million as a one-off income for the first half of 2009.

Corporate Finance

The Group's corporate advisory and related businesses, such as underwriting and share placing recorded revenues totaling approximately HK$3.3 million and operating loss of approximately HK$2.5 million for the six months period (2008: HK$3.5 million and an operating loss of HK$3.5 million respectively). The weak performance was mainly the result of a lackluster fund raising market during the review period.

Assets Management

In 2008, VC Financial Group Limited ("VC Financial Group"), a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company (the "JV Company"). VC Financial Group and Macquarie Macau each contributed an initial amount of HK$95 million to the JV Company to acquire a piece of land in Macau. The JV Company intended to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property development project. This initiative is still ongoing and it is hoped that the syndicate can be formed in the fourth quarter of 2009. If this initiative is successful, the Group will have a more diverse product portfolio and be able to enhance its fee-based revenue stream, and in turn boost overall financial performance.

Liquidity and financial resources/capital structure

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

It held banking facilities of HK$185 million from various banks as at 30th June 2009 (31st December 2008: HK$185 million) and HK$60 million (31st December 2008: HK$60 million) of these banking facilities was secured by margin clients' listed securities. As at 30th June 2009, the Group had utilized HK$584 million of its unsecured banking facilities for Initial Public Offering Business (31st December 2008: Nil) and the loans withdrawn were repaid by 2nd July 2009.

As at 30th June 2009, the Group had no outstanding debts from its major shareholder (31st December 2008: HK$41.9 million).

As at 30th June 2009, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK$508.4 million (31st December 2008: HK$501.3 million), HK$184.6 million (31st December 2008: HK$301.9 million) and HK$617.7 million (31st December 2008: HK$612.1 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 1.75 (31st December 2008: 7.51).

The Group adopts a prudent treasury policy. All borrowings and the majority of bank balances and cash are denominated in Hong Kong dollars and put in short-term fixed deposits. The Group intends to maintain minimum exposure to foreign exchange risks.

As at 30th June 2009, the total number of issued ordinary shares of the Company was 371,169,772 at HK$0.10 each (31st December 2008: 371,169,772 shares of HK$0.10 each).

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

During the six months ended 30th June 2009, the Group did not make any material acquisition, disposal, significant investment or capital commitment.

Headcount/Employees' information

As at 30th June 2009, the Group had a total of 115 employees, of whom 112 were stationed in Hong Kong and 3 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK$43.4 million (2008 HK$42.7 million). The increase was mainly due to increase in staff sales commission expense by approximately HK$0.7 million. The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, other staff benefits include medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programs are also provided to employees from time to time.

Corporate citizenship

Sharing the same dedication of its major shareholder Melco International Development Limited ("Melco") in contributing to the betterment of the community, the Group has honoring Corporate Social Responsibility as an integral part of its corporate mission. Joining hands with Melco, the Group actively encourages staff members to participate in various voluntary programs including the Police Tactical Unit Headquarters Charity Open Day of The Community Chest and Earth Hour 2009 of WWF.

Charges on group assets

As at 30th June 2009, the Group had a not less than HK$40 million charge over deposits for securing banking facilities of HK$80 million in short-term money market loan and current account overdraft (31st December 2008: Nil).

Gearing ratio

As at 30th June 2009, the Group's gearing ratio, expressed as a percentage of total borrowings (including short-term bank borrowings and loans from a major shareholder) over shareholders' funds, was 0.95 times (31st December 2008: 0.07 times).

Foreign exchange exposure

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure is thus minimal and no hedging against foreign currency exposure has been necessary.

Future plans for material investments or capital assets

As at 30th June 2009, the Group had no plan with regard to material investment or capital assets.

Contingent liabilities

As at 30th June 2009, the Company provided guarantees of HK$160 million (31st December 2008: HK$160 million) to banks in respect of banking facilities granted to the subsidiary VC Brokerage Limited.

OUTLOOK

The Group believes with the global economy still uncertain, financial markets including that of Hong Kong are not going to rebound too soon in the second half. The US and European governments and their central banks have pumped money into their financial systems to prevent a complete economic meltdown. Most of these efforts have yet to take effect. The picture in China, however, looks more promising. China has been relatively less affected by the economic downturn and the 4 trillion Yuan economic stimulus package of the Chinese Government has been effective in bolstering domestic demand. All these factors taken into account, China is expected to be among the first to recover. Given the strong economic ties between Hong Kong and the Mainland and the solid foundation of the Hong Kong financial service market, the city is expected to benefit from the relatively faster recovery of its motherland. The Group will continue to focus on applying its excellent operational capabilities to serve customers, pursuing diversification and acquisition and pushing for innovation so as to make sure it will be able to reap benefits when the financial markets rebound in the future.

By Order of the Board of
Value Convergence Holdings Limited
Patrick Sun
Chief Executive Officer & Executive Director

Hong Kong, 20th August, 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2009

	Note(s)	Six months ended 30th June 2009 (unaudited) HK$'000	30th June 2008 (unaudited) HK$'000	Change %
Revenue	(2)	**63,731**	72,757	-12.4%
Other income		**491**	1,581	-68.9%
Staff costs	(4)	**(43,431)**	(42,738)	1.6%
Depreciation of property, plant and equipment	(5)	**(1,142)**	(1,066)	7.1%
Amortisation of trading rights		**(253)**	(253)	0%
Commission expenses		**(2,944)**	(2,592)	13.6%
Finance costs	(6)	**(120)**	(5,247)	-97.7%
Other operating expenses		**(11,800)**	(12,602)	-6.4%
Write-back of impairment loss on accounts receivables		**2,200**	–	–
Share of loss of jointly controlled entities		**(230)**	–	–
Profit before taxation	(7)	**6,502**	9,840	-33.9%
Taxation charge	(8)	**(1,774)**	(2,224)	-20.2%
Profit for the period		**4,728**	7,616	-37.9%
Attributed to:				
Shareholders of the Company		**4,728**	7,616	-37.9%
Minority interests		**–**	–	–
		4,728	7,616	-37.9%
Earnings per share (HK cents)				
Basic	(9)	**1.28**	2.06	-37.9%
Diluted	(9)	**1.28**	2.04	-37.3%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30th June 2009

	Note(s)	**30th June 2009 (unaudited)** *HK$'000*	31st December 2008 Audited *HK$'000*
Non-current assets			
Goodwill		**8,151**	8,151
Trading rights		**506**	759
Property, plant and equipment	(5)	**3,415**	4,423
Deferred tax assets		**1,100**	1,100
Statutory deposits		**2,988**	2,988
Other intangible assets		**547**	547
Investments in jointly controlled entities	(10)	**–**	–
Loan to a jointly controlled entity	(10)	**92,647**	92,877
		109,354	110,845
Current assets			
Accounts receivable	(11)	**988,889**	263,393
Prepayments, deposits and other receivables		**3,824**	3,459
Amount due from a major shareholder		**–**	112
Amounts due from related companies		**231**	230
Amounts due from jointly controlled entities		**13,173**	9,262
Bank balances and cash		**184,637**	301,856
		1,190,754	578,312
Current liabilities			
Accounts payable	(12)	**75,538**	19,880
Accrued liabilities and other payables		**20,917**	13,889
Amounts due to a major shareholder		**159**	81
Amount due to related companies		**1,190**	513
Loans from a major shareholder		**–**	41,900
Short-term bank borrowings		**584,000**	–
Taxation payable		**555**	746
		682,359	77,009
Net current assets		**508,395**	501,303
Total assets less current liabilities		**617,749**	612,148
Capital and reserves			
Issued capital	(13)	**37,117**	37,117
Reserves		**482,802**	481,929
Retained earnings		**97,830**	93,102
Equity attributable to Shareholders of the Company		**617,749**	612,148
Minority interests		**–**	–
Total equity		**617,749**	612,148

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2009

	Share capital *HK$'000*	Shares held for Share Purchase Scheme *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Share option reserve *HK$'000*	Awarded Shares Compensation reserve *HK$'000*	Total *HK$'000*
At 1st January 2008 (audited)	36,996	–	358,728	123,758	(537)	85,526	1,016	–	605,487
Exchange difference arising on translation of financial statements of an overseas subsidiary	–	–	–	–	(134)	–	–	–	(134)
Net expense recognised directly in equity	–	–	–	–	(134)	–	–	–	(134)
Profit for the period	–	–	–	–	–	7,616	–	–	7,616
Total recognised income and expense for the period	–	–	–	–	(134)	7,616	–	–	7,482
Exercise of share options	121	–	658	–	–	–	–	–	779
Recognition of equity-settled share-based payment	–	–	–	–	–	–	256	–	256
Share issue expenses	–	–	(1)	–	–	–	–	–	(1)
Shares purchased for Share Purchase Scheme	–	(4,813)	–	–	–	–	–	–	(4,813)
At 30th June 2008 (unaudited)	37,117	(4,813)	359,385	123,758	(671)	93,142	1,272	–	609,190

	Share capital ***HK$'000***	**Shares held for Share Purchase Scheme** ***HK$'000***	**Share premium** ***HK$'000***	**Capital reserve** ***HK$'000***	**Exchange reserve** ***HK$'000***	**Retained profits** ***HK$'000***	**Share option reserve** ***HK$'000***	**Awarded Shares Compensation reserve** ***HK$'000***	**Total** ***HK$'000***
At 1st January 2009 (audited)	**37,117**	**(3,221)**	**359,385**	**123,758**	**(854)**	**93,102**	**1,528**	**1,333**	**612,148**
Exchange difference arising on translation of financial statements of an overseas subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net expense recognised directly in equity	**–**	**202**	**–**	**–**	**–**	**–**	**109**	**1,163**	**1,474**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**4,728**	**–**	**–**	**4,728**
Total recognised income and expense for the period	**–**	**202**	**–**	**–**	**–**	**4,728**	**109**	**1,163**	**6,202**
Exercise of share options	**–**	**(601)**	**–**	**–**	**–**	**–**	**–**	**–**	**(601)**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share issue expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares purchased for Share Purchase Scheme	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer of shares held for share purchase scheme upon vesting of shares	**–**	**1,592**	**–**	**–**	**–**	**–**	**–**	**(1,592)**	**–**
At 30th June 2009 (unaudited)	**37,117**	**(2,028)**	**359,385**	**123,758**	**(854)**	**97,830**	**1,637**	**904**	**617,749**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June 2009

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash (used in) from operating activities	**(654,301)**	97,790
Net cash used in investing activities	**(2,099)**	(2,911)
Net cash from financing activities	**539,181**	5,966
Net (decrease) increase in cash and cash equivalents	**(117,219)**	100,845
Cash and cash equivalents at the beginning of period	**301,856**	293,389
Effect of change in foreign currency translation	**–**	4
Cash and cash equivalents at the end of period, represented by bank balances and cash	**184,637**	394,238

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2009

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2008.

On 1st January 2009, the Group adopted HKFRS 8 "Operating Segments" (HKFRS 8), which replaced HKAS 14 "Segment Reporting". HKFRS8 requires segment information to be reported using the same measure reported to the chief operating decision-maker for the purpose of making decision about allocating resources to the segment and assessing its performance. The Group' HKFRS8 operating segments are determined to be customer group segments because the chief operating decision-marker uses customer group information in order to make decisions about allocating resources and assessing performance. The three operating segments are Brokerage, Corporate Finance and Asset Management. Segment information provided to the chief operating decision marker is on HKFRS basis.

On 1st January 2009, the Group adopted revised HKAS 1 'Presentation of Financial Statements' (HKAS 1). The revised standard aims to improve users' ability to analyze and compare information given in financial statements.

The adoption of the revised standard has no effect on the results reported in the Group's consolidated financial statements. It does, however, result in certain presentational changes in the Group's primary financial statements, including:

– the adoption of revised title "Statement of financial position" for the "Balance sheet".

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant for the Group.

HKAS 23 (Revised)	Borrowing costs
HKAS 32 (amendment)	Financial instruments: presentation
HK(IFRIC) – Int 13	Customer loyalty programs
IFRIC 15	Agreements for the construction of real estate.
IFRIC 16	Hedges of a net investment in a foreign operation.
HKAS39 (amendment)	Financial instruments: Recognition and measurement.

The Group has not early applied the following new, revised or amendment to Hong Kong Financial Reporting Standard (HKFRSs"), Hong Kong Accounting Standards and Interpretation (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective.

HKAS 1 (amendment)	Presentation of financial statements[1]
HKAS 7 (amendment)	Statement of cash flows [1]
HKAS 17 (amendment)	Leases [1]
HKAS 36 (amendment)	Impairment of assets [1]
HKAS 38 (amendment)	Intangible assets [2]
HKAS 39 (amendment)	Financial instruments: recognition and measurement [1&2]
HKFRS 2 (amendment)	Share-based payments [2]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 5 (amendment)	Non-current Assets held for sale and discontinued operation [1]
HKFRS 8 (amendment)	Operating segments [1]
HKIFRIC 9 (amendment)	Reassessment of embedded derivatives[2]
HKIFRIC 16 (amendment)	Hedges of a net investment in a foreign operation [2]
HKIFRIC 17	Distributions of non-cash assets to owners [2]
HKIFRIC 18	Transfers of assets from customers [2]

[1] Effective for annual periods beginning on or after 1st January 2010.

[2] Effective for annual periods beginning on or after 1st July 2009.

The directors of the Company anticipate that the application of these new HKFRSs will have no material effects on the results and the financial position of the Group.

2. REVENUES

	Six months ended 30th June 2009 (unaudited) HK$'000	30th June 2008 (unaudited) HK$'000
Brokerage commission from dealing in securities and futures and options contracts	**48,074**	47,953
Underwriting, sub-underwriting, placing and sub-placing commission	**282**	937
Arrangement, management, advisory and other fee income	**4,794**	3,310
Interest income from clients	**10,581**	20,557
	63,731	72,757

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

(a) By business segments

The Group's operating businesses are organized 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 business segments. The Group operates financial services business and classified its business into three segments, namely brokerage, corporate finance, asset management. Details of these three business segments are summarized as follows:

(i) the brokerage segment engages in securities, futures and options broking, dealing, provision of margin financing, commercial loans to corporate customers and money lending services;

(ii) the corporate finance segment engages in the provision of corporate advisory, placing and underwriting services, proprietary trading; and

(iii) the asset management segment engages in joint venture development project of residential properties in Macau.

The following tables represent revenue and profit information for these segments for the six months ended 30th June 2009 and 2008, and assets information regarding business segments as at 30th June 2009 and 2008.

Six months ended 30th June 2009

	Brokerage	**Corporate Finance**	**Asset Management**	**Inter-segment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total revenue	**60,914**	**3,311**	**–**	**(494)**	**63,731**
Segment results	**8,096**	**(2,477)**	**(2,969)**	**2,078**	**4,728**
EBITDA	**12,650**	**(2,397)**	**(2,940)**	**704**	**8,017**
Depreciation and amortization	**(1,130)**	**(80)**	**(29)**	**(156)**	**(1,395)**
Impairment write-back/(loss)	**2,200**	**–**	**–**	**–**	**2,200**
Finance income/(Cost)	**(1,650)**	**–**	**–**	**1,530**	**(120)**
Share of loss of jointly controlled entities	**–**	**–**	**(230)**	**–**	**(230)**
Management fee paid	**(5,360)**	**(1,587)**	**(1,175)**	**7,751**	**(371)**
Taxation charge	**(1,774)**	**–**	**–**	**–**	**(1,774)**
Total assets	**1,640,303**	**20,891**	**8,841**	**(369,927)**	**1,300,108**

Six months ended 30th June 2008

	Brokerage	Corporate Finance	Asset Management	Inter-segment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total revenue	69,399	3,310	–	48	72,757
Segment results	10,895	(3,486)	(2,959)	3,166	7,616
EBITDA	22,059	(3,225)	(2,849)	422	16,407
Depreciation and amortization	(740)	(261)	(110)	(208)	(1,319)
Impairment write-back/(loss)	244	(310)	–	–	(66)
Finance income/(Cost)	(8,200)	–	–	2,953	(5,247)
Management fee paid	(4,318)	(1,707)	(846)	6,871	–
Taxation charge	(2,224)	–	–	–	(2,224)
Total assets	1,198,664	32,598	15,278	(557,374)	689,166

(b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented in the financial statements.

4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Staff commission	**25,866**	25,165
Wages and salaries	**14,885**	15,362
Staff welfare	**608**	1,045
Recruitment costs	**40**	355
Pension costs – contributions to defined contribution plans	**559**	570
Forfeiture of pension contributions	**–**	(15)
Recognition of equity-settled share based payment	**1,473**	256
	43,431	42,738

5. PROPERTY, PLANT AND EQUIPMENT

	As at	As at
	30th June	31st December
	2009	2008
	(unaudited)	Audited
	HK$'000	*HK$'000*
Carrying value, beginning of period/year	**4,423**	2,750
Additions	**134**	4,341
Depreciation	**(1,142)**	(2,670)
Exchange difference	**–**	2
Carrying value, end of period/year	**3,415**	4,423

6. FINANCE COSTS

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts wholly repayable within five years	**42**	1,050
Interests on loans from a major shareholder	**78**	4,197
	120	5,247

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after (crediting) and charging the following:

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Auditor's remuneration	**627**	596
Operating leases in respect of land and buildings	**3,316**	2,888
Net exchange (gain) loss	**(17)**	133
Impairment (write-back) allowance on accounts receivables	**(2,200)**	66

8. TAXATION CHARGE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30th June 2009. The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong Profits Tax	**1,774**	2,224
	1,774	2,224

As at 30th June 2009, the Group had estimated unused tax losses of HK$127,590,000, (30th June 2008: HK$134,103,000) to carry forward against future taxable income. A deferred tax assets has been recognised in the consolidated financial statement to the extent that realization of the related tax benefit through future taxable profits is probable. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,728**	7,616
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares less shares held for Share Purchase Scheme for the purposes of basic earnings per share	**369,079**	370,577
Effect of dilutive potential ordinary shares:		
Share options	**–**	2,519
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**369,079**	373,096

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

As at 30th June 2009 and 31st December 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place/country of incorporation/ registration	Principal activity and place of operations	Class share held	Proportion of nominal value of issued capital/ registered capital held by the Group	Proportion of voting power held
MVC Macau Property Development Fund Limited [1]	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.1 Limited [2]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.2 Limited [2]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (Macau) Investments Limited [2]	Incorporated	Macau	Property investment holding in Macau	Ordinary	50%	50%
VC Property Asset Management Limited [1]	Incorporated	British Virgin Island	Provision of property investment management in Macau	Ordinary	50%	50%

[1] Shares held directly by the Company

[2] Shares held indirectly by the Company

The Group has loan advanced to a jointly controlled entity which forms part of the net interests in the jointly controlled entities. For the six months period, the jointly controlled entities incurred losses in excess of cost of investments. The net interests in the jointly controlled entities are as follows:

As at 30th June 2009 (unaudited) and 31st December 2008 (audited)

	THE GROUP	**THE COMPANY**
	HK$'000	*HK$'000*
Cost of investments in jointly controlled entities	1	1
Share of post-acquisition losses	(1)	–
	–	1

	THE GROUP (unaudited)	**THE COMPANY (unaudited)**
	HK$'000	***HK$'000***
As at 30th June 2009		
Loan to a jointly controlled entity	**95,000**	**95,000**
Less: Loss allocated in excess of cost of investments	**(2,353)**	**–**
	92,647	**95,000**

	THE GROUP Audited	THE COMPANY Audited
	HK$'000	*HK$'000*
As at 31st December 2008		
Loan to a jointly controlled entity	95,000	95,000
Less: Loss allocated in excess of cost of investments	(2,123)	–
	92,877	95,000

The loan of HK$95,000,000 is advanced by the Company in 2008 and unsecured and bears interest at hibor plus 2.6% per annum. The loan is repayable on demand but with no intention to settle within one year.

11. ACCOUNTS RECEIVABLE

	As at 30th June 2009 (unaudited) HK$'000	As at 31st December 2008 Audited HK$'000
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions		
Clearing houses and brokers	**133,905**	15,594
Cash clients	**50,366**	75,410
Margin clients *(Note b)*	**803,844**	171,384
– Futures and options contracts transactions		
HKFE Clearing Corporation Limited	**2**	–
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note c)*	**772**	1,005
	988,889	263,393

Notes:

(a) Credit limit is approved for each client by designated approvers according to the clients' credit worthiness. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand. Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The decision for rate changes is on management's discretion subject to notification to clients. Securities are assigned with specific margin ratios for calculating their margin values. Loans granted to securities margin clients are further subject to the discounted value of securities deposited with reference to these specific margin ratios. Additional funds or collateral are required if the loan outstanding exceeds the eligible margin value of securities deposited. As at 30th June 2009, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$546,006,000 (31st December 2008: HK$550,223,000). No aging analysis on margin clients' receivables is disclosed as, in the opinion of the Directors, an aging analysis is not meaningful in view of the nature of the business of securities margin financing. Except for the loans to margin clients, all accounts receivable arising from the business of dealing in securities transactions are aged as follows:

	As at 30th June 2009 (unaudited) HK$'000	As at 31st December 2008 Audited HK$'000
Within 30 days	**175,359**	82,219
31-90 days	**3,436**	1,121
Over 90 days	**5,476**	7,664
	184,271	91,004

(b) The accounts receivable from the margin clients included the advances in relation to IPO financing of approximately HK$605,796,000 (31st December 2008: Nil). All the advances were repaid by 2nd July 2009.

(c) The accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers. The aging analysis of these receivable is as follows:

	As at 30th June 2009 (unaudited) *HK$'000*	As at 31st December 2008 Audited *HK$'000*
Within 30 days	**357**	233
31-90 days	**125**	573
Over 90 days	**290**	199
	772	1,005

12. ACCOUNTS PAYABLE

	As at 30th June 2009 (unaudited) *HK$'000*	As at 31st December 2008 Audited *HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a):*		
Cash clients *(Note b)*	**69,842**	15,523
Margin clients	**5,687**	4,357
Brokers	**9**	–
	75,538	19,880

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 trade date. These accounts payable are repayable on demand. Therefore, no aging analysis is disclosed as, in the opinion of Directors, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after trade date.

(b) Included in accounts payable to cash clients was approximately HK$3,000 (31st December 2008: HK$150,000) due to key management personnel, directors and close member of directors, in respect of transactions in securities undertaken for their accounts.

13. SHARE CAPITAL

	Authorized Ordinary shares of HK$0.10 each	
	No. of shares	**Amount**
		HK$'000
At 31st December 2008 and 30th June 2009	10,000,000,000	1,000,000

	Issued and fully paid Ordinary shares of HK$0.10 each	
	No. of shares	**Amount**
		HK$'000
At 1st January 2009	371,169,772	37,117
Exercise of share options	–	–
At 30th June 2009	371,169,772	37,117

14. SHARES HELD FOR SHARE PURCHASE SCHEME

As at 30th June 2009, the VC Share Purchase Scheme Trust acquired 792,000 shares of the Company (31st December 2008: 3,712,000) through purchase on the open market for the Share Purchase Scheme. The total amount paid to acquire the shares during the six months ended 30th June 2009 was HK$601,000 (31st December 2008: HK$4,813,000) and has been deducted from shareholders' equity.

As at 30th June 2009, the VC Share Purchase Scheme Trust transferred 1,228,000 shares (31st December 2008: 1,228,000) to the awardees upon vesting on 1st April 2009. The total cost of the related vested shares was HK$1,793,000 (31st December 2008: HK$1,592,000).

15. CAPITAL COMMITMENTS

As at 30th June 2009, the Group did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (31st December 2008: Nil).

16. RELATED PARTIES TRANSACTIONS

During the six months ended 30th June 2009, the Group entered into the following transactions:

	Six months ended	
	30th June	30th June
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Technical, network and other service fees charged by related companies	**908**	1,382
Purchases of computer hardware and software from related companies	**–**	7
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**74**	136
Brokerage commission income/interest income earned from a company with a common director	**–**	–
Interest expenses charged on loans from a major shareholder	**78**	4,197
Management fee paid to a related company	**371**	–
Financial advisory fees charged to the major shareholder	**–**	80

The balances with related parties are set out on the consolidated statement of financial position.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30th June 2009 (six months ended 30th June 2008: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. During the six months ended 30th June 2009, the Company has applied the principles and complied with all the requirements set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Listing Rules, with one deviation mentioned below:

Code provision A.4.1 of the HKSE Code provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all Non-executive Directors are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that 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.

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 and is currently composed of three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee has reviewed the unaudited results of the Group for the six months ended 30th June 2009.

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

During the six months ended 30th June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of The VC Share Purchase Scheme Trust (the "Share Purchase Scheme") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 792,000 shares of the Company. The total amount paid to acquire these shares was HK$601,000.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises Mr. Ho, Lawrence Yau Lung* (Chairman), Mr. Patrick Sun[#] (Chief Executive Officer), Mr. Tsui Che Yin, Frank[#], Dr. Lee Jun Sing*, Dr. Tyen Kanhee, Anthony[+], Mr. Sham Sui Leung, Daniel[+] and Mrs. Chu Ho Miu Hing[+].

[#] *Executive Director*
* *Non-executive Director*
[+] *Independent Non-executive Director*