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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "**Board**") submits the consolidated results of Value Convergence Holdings Limited ("**VC**" or the "**Company**") and its subsidiaries (collectively "**VC Group**" or the "**Group**") for the year ended 31 December 2010.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue for the year ended 31 December 2010 amounted to approximately HK$115.6 million, which had decreased by about 14.8% as compared with the same period in 2009.

The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$88 million for the year ended 31 December 2010 against a loss of approximately HK$22.5 million for the same period in 2009. The loss for the current year was mainly attributable to the recognition of (1) the increase in fair value changes of approximately HK$34 million in relation to the HK$10 million convertible bonds and the option of the HK$10 million optional bonds issued on 30 November 2009 and 9 April 2010 respectively; (2) the loss of approximately HK$36.9 million arising from the disposal of the Macau Land held by the Group's JCE; (3) the goodwill impairment of approximately HK$8.2 million in relation to the corporate finance business segment as well as the reversal of the deferred tax asset of HK$1.1 million; and (4) the fair value of approximately HK$4.4 million in relation to the 3,400,000 share options and 947,869 awarded shares granted in 2010. Excluding these major non-cash and/or non-recurring nature items, the Group generated an attributable loss of approximately HK$3.4 million for the year ended 31 December 2010.

CHAIRMAN'S STATEMENT

If 2009 was about bracing for the impact of the previous year's financial tsunami, then 2010 was about weathering the ongoing storm, while preparing for the opportunities of eventual calmer seas.

While the financial tsunami had demonstrated its biggest impact in 2008 and 2009, its significant aftershocks still rippled through 2010. Waves of disruption continued to unsettle world economies, in a domino effect that impacted Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe. These events continued to suppress investor confidence and restrict economic progress. In response, governments and central banks in various countries launched rescue packages that included substantial funding injections into the financial systems, financial guarantees and even some share acquisition plans to stimulate domestic demand and ensure and sustain economic growth.

While the brunt of the financial tsunami was felt in 2009, under these stimulus plans and improving key economic figures, in 2010 the world's stock markets continued their slow recovery. However, 2010 also showed signs of inflation that some countries, including China's, are now turning to handle. The situation in the US also remained challenging, with poor unemployment rate and potential for stagflation.

In 2010, Hong Kong market was still in the process of recovery, although investor confidence had improved gradually. As one of the major service providers in the local financial sector, the business performance of our Group was inevitably affected by the momentum of the financial tsunami, although we have made great strides toward minimizing negative impact and preparing for future opportunity.

Looking ahead, the Group expects 2011 to remain challenging to the financial sector. The world's financial markets still face unknown factors. The financial crises in Europe and elsewhere have created uncertainties, and the results of government action to battle inflation are still to be determined.

Nevertheless, the picture in China looks very promising. The expectation of further appreciation of the yuan might also attract capital inflows into Hong Kong. Given the strong economic ties between Hong Kong and the Mainland and the solid foundation of the Hong Kong financial service market, we are expected to benefit from the relatively faster recovery of its motherland.

The Group will continue to focus on applying our excellent operational capabilities to serve customers, pursuing diversification and acquisition and pushing for innovation so as to make sure we will be able to reap benefits when the financial market rebounds fully in the near future.

On behalf of the Board of Directors, I would like to express my gratitude to our business partners, valued customers and shareholders for their steadfast support in the past year. We also owed it to our dedicated and professional management team and staff for the achievements we made during the year and we hope to be able to continue to count on their devotion to take our business to new heights in the years ahead. I believe that with the Group's diversified financial services and the professionally knowledgeable management team and the solid and continuous backup of our business partners, we are able to seize any opportunities that promise to deliver greater returns for our shareholders.

Dr. Lee Jun Sing
Chairman

Hong Kong, 24 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited is an established financial services group committed to delivering premier financial services and products that can fulfill the various investment and wealth management needs of clients in the Greater China region. The Group's expertise includes 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.

Significant Events and Developments

On 28 January 2011, the Company entered into a placing agreement (the "**Placing Agreement**") with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, a minimum of 20,000,000 new shares and up to a maximum of 79,000,000 new shares to not less than six placees at a price of HK$1.50 per placing share, which represented approximately 4.76% and 16.5% of the issued share capital of the Company as enlarged by the issue of the respective placing shares. If a maximum of 79,000,000 new shares are successfully placed by the placing agent, the gross proceeds from the placing will be approximately HK$118.5 million. The Company intends to use the net proceeds of approximately HK$115.4 million from the placing for general working capital of the Group and/or possible investment in the future when opportunities arise. The placing period will commence from the date of the Placing Agreement, i.e. 28 January 2011 and terminate on 31 May 2011, unless terminated earlier in writing pursuant to the terms of the Placing Agreement. As at the date of this announcement, the placing has not yet completed.

On 5 August 2010, the Group's jointly controlled entities (the "**JCE**"), of which the Company held 50% effective interest indirectly, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), which was subsequently supplemented by the supplemental agreement, with two independent third parties for disposal of the entire issued share capital of Guia Hill (Macau) Investments Limited ("**Guia Hill Macau**"), an indirect wholly owned subsidiary of JCE which held a land in Macau (the "**Macau Land**") directly, at a cash consideration of HK$256 million (the "**Disposal**"). The completion of the Sale and Purchase Agreement is conditional upon the satisfaction of certain conditions precedent. On 3 November 2010, all the conditions for the completion had been fulfilled. From the Disposal, the Group recognised a loss of approximately HK$36.9 million and received a net cash amount of approximately HK$53.6 million for partial settlement of the shareholder's loan of approximately HK$41.3 million and the current account of approximately HK$12.3 million, which will be used for the Group's general working capital.

On 1 March 2010, the remaining HK$290 million of the convertible bonds (out of HK$300 million) had been repudiated by the Company as the relevant subscribers failed to comply with their obligations on completion under their respective subscription agreements entered with the Company on 18 September 2009. However, this did not have any material adverse impact on the Group's existing liquidity or financial position.

On 27 January 2010, VC Financial Group Limited ("**VC Financial Group**"), a wholly owned subsidiary of the Company, entered into two separate sale and purchase agreements with a third party purchaser to dispose of 9.9% issued share capital of VC Capital Limited ("**VC Capital**") and VC Asset Management Limited ("**VC Asset Management**"), of which both companies are the wholly owned subsidiaries of VC Financial Group, at a cash consideration of HK$1,600,000 and HK$600,000 respectively. Both the transactions had been completed on 10 February 2010.

Business Review

While the financial tsunami had demonstrated its biggest impact in 2008 and 2009, its significant aftershocks still rippled through 2010. Waves of disruption continued to unsettle world economies, in a domino effect that impacted Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe. These and other events continue to negatively impact investor confidence, and keep sentiment suppressed.

However, thanks to rapid, substantial actions taken by many of the world's central banks, including China, the financial tsunami was, to a large extent, countered by the massive influx of stimulus capital from rescue packages. These injections, along with other supporting measures such as financial guarantees and government share acquisitions, have helped stabilize the markets, stimulate domestic demand, and encourage sustainable economic growth.

Nonetheless, challenges remain in various corners of the world, including the US economy which continues to slowly strive toward recovery. Fortunately, signs are promising, with the Dow Jones Index closing at 11,577 points, up 1,149 points or 11%, for the year ended 31 December 2010, and Nasdaq Index closing at 2,652 points, up 383 points or 17%.

Likewise, Hong Kong is still in the process of recovery, although great strides have already been achieved. For example, Hong Kong investor confidence has gradually recovered, with the Hang Seng Index peaking at 24,964 on 8 November 2010 and ending the year at 31 December 2010 with 23,035, up 1,163 points or 5% from 21,872 at the beginning of 2010. The Hang Seng China Enterprises Index only slightly dropped by 0.8% for the year ended 31 December 2010 and closed at 12,692 points. The Hong Kong stock market's total market capitalization also increased by 18% from approximately HK$17,874 billion (as at 31 December 2009) to HK$21,077 billion (as at 31 December 2010). Average daily turnover for the year ended 31 December 2010 was about HK$69.1 billion, compared to approximately HK$62.3 billion for the same period in 2009, a rise of approximately 11% or HK$6.8 billion. These achievements notwithstanding, the market still lagged its performance prior to the financial tsunami. Its average daily turnover was approximately HK$72.1 billion and HK$88.1 billion for the years ended 31 December 2008 and 2007. Suffice to say, none of the market indexes have yet recovered to levels reached prior to the financial tsunami.

Because of the nature of the Group's core business in financial services, our performance during 2010 was inevitably affected by the abovementioned global conditions. However, thanks to our disciplined approach, sound balance sheet, premium investment and wealth management services and products, plus the ongoing recovery and upturn of the Hong Kong equity market, we remained one of Hong Kong's major financial service providers and are able to retain definite competitive advantages and continue providing value for the investment of our shareholders.

Our core businesses and objectives remain focused on 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. For details of the financial results for the year ended 31 December 2010 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects 2011 to be still challenging to the financial sector. The world's financial markets still face uncertain factors. The financial crises during the first half of 2010 in Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe prove that the economic downturn still has momentum yet to dissipate. Along these lines, the government interventions of capital injection have created other uncertain factors, such as the risk of inflation. Some governments have withdrawn capital from the investment markets, and are also increasing interest rates. In the US, the possibility of stagflation exists amid high unemployment. Even China is clamping down on excessive lending, particularly in the property market, and has implemented a series of measures to prevent Chinese enterprises and individuals from over-extending themselves in speculations, to hopefully avert an overheated economy.

Yet, China continues to look very promising, achieved approximately 10.3% GDP growth in the year 2010. Powered by strong domestic demand, China's economy is expected to attain approximately 9.8% GDP growth in the year 2011. The expectation of further appreciation of the yuan might attract capital inflows into Hong Kong. This will benefit the Group, considering the strong economic ties between Hong Kong and the Mainland and the solid foundation of the Hong Kong financial services market. As Hong Kong's motherland recovers, opportunities will correspondingly increase for our businesses.

The Group will continue to focus on applying our excellent operational capabilities to serve customers, pursuing diversification and acquisition, and pushing for innovation, to ensure we will be able to reap benefits when the financial market fully rebounds in the near future.

Financial Review

Affected by poor market sentiments, for the year ended 31 December 2010, the Group's consolidated revenue was approximately HK$115.6 million, which had decreased by about 14.8% as compared with the same period in 2009. The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$88 million for the year ended 31 December 2010 against a loss of approximately HK$22.5 million for the same period in 2009. However, the loss for the current year was mainly attributable to the recognition of (1) the increase in fair value changes of approximately HK$34 million in relation to the HK$10 million convertible bonds and the option of the HK$10 million optional bonds issued on 30 November 2009 and 9 April 2010 respectively; (2) the loss of approximately HK$36.9 million arising from the disposal of the Macau Land held by the Group's JCE; (3) the goodwill impairment of approximately HK$8.2 million in relation to the corporate finance business segment as well as the reversal of the deferred tax asset of HK$1.1 million; and (4) the fair value of approximately HK$4.4 million in relation to the 3,400,000 share options and 947,869 awarded shares granted on 18 January 2010 and 25 January 2010 respectively. Excluding these major non-cash and/or non-recurring nature items, the Group generated an attributable loss of approximately HK$3.4 million for the year ended 31 December 2010.

To facilitate the review, the segmental information shown in note 4 to the consolidated financial statements is reproduced below after some re-arrangements:

	Year ended 31 December 2010 *HK$'000*	Year ended 31 December 2009 *HK$'000*
Segmental results:		
Brokerage	**16,765**	18,011
Corporate Finance	**(8,193)**	(7,857)
Asset Management	**(1,301)**	(4,656)
Group operating profit	**7,271**	5,498
Share of loss of jointly controlled entities	**(37,832)**	(13,494)
Fair value changes on financial liabilities designated at fair value through profit or loss	**(22,950)**	(1,184)
Fair value changes on derivative financial liabilities	**(11,033)**	–
Impairment of goodwill	**(8,151)**	–
Unallocated costs	**(12,575)**	(9,004)
Loss before taxation	**(85,270)**	(18,184)
Income tax expense	**(3,666)**	(4,330)
Loss for the year	**(88,936)**	(22,514)
Non-controlling interests	**951**	–
Loss for the year attributable to owners of the Company	**(87,985)**	(22,514)

Brokerage

For the year ended 31 December 2010, the Group's brokerage business, through VC Brokerage Limited ("**VC Brokerage**") and VC Futures Limited, recorded revenue of approximately HK$110.8 million, representing a decrease of 15% from HK$130.3 million for the same period last year. The drop in brokerage revenue was mainly due to the substantial decrease in brokerage commission from approximately HK$94.5 million to HK$65.9 million in 2010, representing a decrease of approximately 30.3% compared with the same period last year. Net brokerage commission income decreased by 28.6% from approximately HK$35 million to HK$25 million. Nevertheless, some of our business shortfalls were offset by the positive growth in other revenue streams including, in particular, the financing business and the placing and underwriting services during the year.

The Group's interest income from financing business increased substantially by approximately HK$7.3 million to HK$35 million in 2010, representing a rise of approximately 26.1% compared with the same period last year. Our average loan portfolio was increased by approximately 37.4% to HK$414.6 million in 2010 from approximately HK$301.8 million for the same period last year, resulting in the significant growth in revenue from interest income.

Further, the Group also offers placing and underwriting services to customers, and acts as placing agents and underwriters for many Hong Kong listed companies. During the year ended 31 December 2010, the Group had put more efforts to capture the opportunities from the improved sentiments towards initial public offerings and other fund raising exercises in Hong Kong and therefore generated gross revenue of approximately HK$9.8 million (2009: HK$5.8 million).

Overall, the operating profit before taxation generated from the brokerage business was approximately HK$16.8 million (2009: HK$18 million), and its operating profit after taxation was approximately HK$14.2 million (2009: HK$13.7 million), which was almost the same as previous year.

Corporate Finance

During the year ended 31 December 2010, VC Capital, a non-wholly owned subsidiary of the Company, had been appointed as the financial advisers of several Hong Kong listed companies for a number of corporate transactions and had also successfully helped a company to seek for listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing of shares, in which VC Capital was appointed as one of the joint sponsors.

The Group's corporate financial advisory and related businesses recorded revenue totaling approximately HK$4.9 million (2009: HK$6.2 million) and operating loss before taxation of approximately HK$8.2 million for the year ended 31 December 2010 (2009: HK$7.9 million). Its operating loss after taxation was approximately HK$9.3 million after deducting the reversal of the deferred tax asset of HK$1.1 million in relation to its goodwill written off during the year (2009: HK$7.9 million). Its performance was not better than expected. Though there are many initial public offerings in the pipelines in Hong Kong and we can see many listed companies become more active in their merger and acquisition transactions since the resumption of the capital market activities in Hong Kong from last quarter of 2009, it takes us a longer period to capture the economic benefits from the growth. It is expected that the Group can capture the growing business opportunities from the favourable market condition in the near future.

Generally, IPO sponsorships will continue to be a major revenue driver of the corporate finance segment and will create the business opportunities in underwriting and share placements for the Group as a whole.

Asset Management

In 2008, VC Financial Group entered into a shareholders' agreement with Macquarie Macau to establish the 50:50 JCE, which had acquired the Macau Land through Guia Hill Macau. The JCE intended to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property management project, which will focus on developing middle to high end residential properties in Macau. With the hit of the financial tsunami, fund raising had become more challenging. Meanwhile, in order to focus the management time and resources in our core business, the Group selected an alternative exit plan for this land project in Macau during the year.

On 5 August 2010, the JCE entered into the Sale and Purchase Agreement as supplemented by the supplemental agreement with two independent third parties to dispose of the entire issued share capital of Guia Hill Macau at a cash consideration of HK$256 million. On the same date, the JCE received the first installment of HK$36 million for the Disposal from the purchasers. The completion of the Sale and Purchase Agreement is conditional upon the satisfaction of certain conditions precedent.

On 3 November 2010, all the conditions for the completion had been fulfilled and the JCE received the remaining consideration of HK$220 million, which was used to settle the bank borrowings, the shareholders' loans and current accounts and also the operating expenses. Details had been given in note 11 to the consolidated financial statements. Overall, the Group recognised a loss of approximately HK$36.9 million arising from the Disposal, which was separately included in the share of loss of jointly controlled entities as mentioned below, and received a cash amount of approximately HK$53.6 million for partial settlement of the shareholder's loan of approximately HK$41.3 million and the current account of approximately HK$12.3 million, which will be used for the Group's general working capital.

Nevertheless, the management remains optimistic about the long term prospects of the Group's financial services business. Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Group is actively pursuing new business opportunities to grow its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of the customers.

For the year ended 31 December 2010, the asset management business, mainly through VC Asset Management, recorded an operating loss before and after taxation of approximately HK$1.3 million (2009: HK$4.7 million). The significant loss in 2009 was primarily incurred for the staff costs and professional fees relating to the establishment of the aforementioned fund or project.

Share of loss of jointly controlled entities

For the year ended 31 December 2010, the Group recognised a loss of approximately HK$37.8 million from the JCE (2009: HK$13.5 million), which was mainly arising from the disposal of the Macau Land amounting to approximately HK$36.9 million as abovementioned and the share of the JCE's general operating expenses incurred in 2010 amounting to approximately HK$0.9 million. In previous year, the Group had recognised a loss of approximately HK$13.5 million which was mainly in relation to the impairment loss made on the capitalised property development costs of the Macau Land held by the JCE in accordance with a valuation report prepared by an independent valuer as at 31 December 2009.

Fair value changes on financial liabilities designated at fair value through profit or loss and derivative financial liabilities

The Company had issued the convertible bonds in a principal amount of HK$10 million (the "**Convertible Bonds**") on 30 November 2009, which were classified as financial liabilities designated at fair value through profit or loss and were measured at fair value. As at 31 December 2009, the carrying amount of the Convertible Bonds was approximately HK$11.2 million in accordance with a valuation report prepared by an independent valuer. Upon the conversion of the Convertible Bonds into 10,000,000 ordinary shares of HK$0.1 each of the Company on 9 April 2010, an option to subscribe for additional HK$10,000,000 convertible bonds (the "**HK$10M Optional Bonds**") with a conversion price of HK$1 per ordinary share of the Company was also issued to the bondholder in accordance with the terms of Convertible Bonds, which were classified as derivative financial liabilities and were measured at fair value. On 21 April 2010, the bondholder had exercised the option for the HK$10M Optional Bonds and converted the convertible bonds into 10,000,000 ordinary shares of HK$0.1 each of the Company on the same date.

For the year ended 31 December 2010, the Group recognised the increase in fair value of the Convertible Bonds of approximately HK$23 million as at 9 April 2010 (2009: HK$1.2 million) and also the increase in fair value of the option for the HK$10M Optional Bonds of approximately HK$11 million as at 21 April 2010 (2009: Nil) to the profit or loss in accordance with a valuation report prepared by an independent valuer as at each of the conversion dates. As at 31 December 2010, the Group did not have any outstanding Convertible Bonds. Details had been given in note 16 to the consolidated financial statements.

Impairment of goodwill

The goodwill attributable to the corporate finance segment amounting to approximately HK$8.2 million was fully written off for the year ended 31 December 2010 as there was impairment indication after consideration of its cash flow projection. Details had been given in note 10 to the consolidated financial statements.

Unallocated costs

The unallocated costs of the Group was approximately HK$12.6 million for the year ended 31 December 2010 compared to approximately HK$9 million for the same period in 2009. The increase in unallocated costs for the year was primarily due to the increase of the corporate rental and utility expenses, salaries and allowances, and discretionary bonus, etc.

Finance costs

During the year ended 31 December 2010, the finance costs of the Group decreased to approximately HK$1.1 million (2009: HK$1.5 million), in which almost all were charged to the brokerage business. For the year ended 31 December 2009, it included an interest payment of approximately HK$79,000 in relation to the loans from a former shareholder, which was settled in early 2009.

Income tax expense

During the year ended 31 December 2010, the estimated income tax expense of the Group amounted to approximately HK$3.7 million (2009: HK$4.3 million). The income tax expense for the year was primarily due to the provision of income tax charge in relation to the profitability generated from the brokerage business amounting to approximately HK$2.6 million (2009: HK$4.3 million) and the reversal of the deferred tax asset in relation to the goodwill written off of the corporate finance business amounting to HK$1.1 million (2009: Nil).

Liquidity and financial resources/capital structure

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

The Group held banking facilities of HK$130 million granted from a bank to a subsidiary, VC Brokerage, as at 31 December 2010 (2009: HK$150 million from two banks), in which HK$50 million (2009: HK$50 million) and HK$80 million (2009: HK$80 million) of these banking facilities had to be secured by VC Brokerage's margin clients' listed securities whenever necessary and its bank deposits of HK$40 million (2009: HK$40 million) respectively. As at 31 December 2010, the Group had outstanding bank borrowings of HK$40 million (2009: Nil).

As at 31 December 2010, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK$580.4 million (2009: HK$521.3 million), HK$115.5 million (2009: HK$93.9 million) and HK$588.1 million (2009: HK$608.4 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 5.8 as at 31 December 2010 (2009: 8.4).

The Group adopts a prudent treasury policy. All borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars as at 31 December 2010. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in saving deposits and current accounts as at 31 December 2010.

As at 31 December 2010, the total number of issued ordinary shares of the Company was 399,736,829 at HK$0.10 each (2009: 374,590,829 shares of HK$0.10 each). The increase for the year was due to the conversion of the convertible bonds into 20,000,000 new ordinary shares at the conversion price of HK$1 each and also the exercise of 5,146,000 share options by the Directors of the Company and the employees of the Group.

Charges on group assets

As aforementioned, the Group had made a HK$40 million charge over deposits to a bank (2009: HK$40 million) for securing banking facilities of HK$80 million granted to VC Brokerage in short-term money market loan and current account overdraft as at 31 December 2010 (2009: HK$80 million).

Gearing ratio

As at 31 December 2010, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and convertible bonds) over shareholders' equity, was at a satisfactory level of 0.07 times (2009: 0.02 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. Almost all of 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.

Headcount and employees information

As at 31 December 2010, the Group had a total of 118 employees (2009:105), of whom 114 (2009: 102) were stationed in Hong Kong and 4 (2009: 3) in China.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$46.7 million and HK$36.5 million respectively for the year ended 31 December 2010 (2009: HK$48.7 million and HK$53.5 million respectively). The former one included equity-settled share-based payments of approximately HK$4.4 million for the year ended 31 December 2010 (2009: HK$16 million), in which part of this was included in segment results and part thereof in unallocated costs. The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, other staff benefits include medical coverage, sales commission, discretionary performance-based bonus, discretionary share options and share awards. Training and development programs are also provided to employees from time to time.

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

During the year ended 31 December 2010, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in note 17 to the consolidated financial statements.

Future plans for material investments or capital assets

As at 31 December 2010, the Group had no known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate.

As at 31 December 2010, the Group had not made any commitments contracted but not provided for in the financial statements in respect of purchase of property, plant and equipment in relation to the upgrade and enhancement of internet trading and internal infrastructure systems (2009: HK$855,000).

Contingent liabilities

As at 31 December 2010, the Company had given financial guarantees of HK$130 million (2009: HK$130 million) to a bank in respect of banking facilities provided to VC Brokerage. As at 31 December 2010, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (2009: Nil).

Event after the reporting period

On 28 January 2011, the Company entered into the Placing Agreement with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, a minimum of 20,000,000 new shares and up to a maximum of 79,000,000 new shares to not less than six placees at a price of HK$1.50 per placing share, which represented approximately 4.76% and 16.5% of the issued share capital of the Company as enlarged by the issue of the respective placing shares. If a maximum of 79,000,000 new shares are successfully placed by the placing agent, the gross proceeds from the placing will be approximately HK$118.5 million. The Company intends to use the net proceeds of approximately HK$115.4 million from the placing for general working capital of the Group and/or possible investment in the future when opportunities arise. The placing period will commence from the date of the Placing Agreement, i.e. 28 January 2011 and terminate on 31 May 2011, unless terminated earlier in writing pursuant to the terms of the Placing Agreement. Details had been given in the announcement of the Company dated 28 January 2011. As at the date of this announcement, the placing has not yet completed.

Corporate governance

The Company has in place a Code on Corporate Governance Practices (the "**Code**"), which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Code was prepared with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (the "**HKSE Code**") and came into effect on 1 January 2005. The Code not only formalizes the Company's existing corporate governance principles and practices, but has also served to assimilate the Company's practices with benchmarks prescribed by the HKSE Code, and ultimately ensuring that the Company runs a highly transparent operation and is accountable to the Company's shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	4	**115,629**	135,734
Other income	4	**598**	912
Staff costs	5	**(83,156)**	(102,226)
Depreciation of property, plant and equipment		**(2,063)**	(2,053)
Amortisation of trading rights		**(252)**	(507)
Commission expenses		**(6,257)**	(6,915)
Finance costs	6	**(1,107)**	(1,457)
Other operating expenses		**(28,696)**	(26,994)
Share of loss of jointly controlled entities	11	**(37,832)**	(13,494)
Fair value changes on financial liabilities designated at fair value through profit or loss	16	**(22,950)**	(1,184)
Fair value changes on derivatives financial liabilities	16	**(11,033)**	–
Impairment of goodwill	10	**(8,151)**	–
Loss before taxation		**(85,270)**	(18,184)
Income tax expense	7	**(3,666)**	(4,330)
Loss for the year		**(88,936)**	(22,514)
Other comprehensive loss			
Exchange differences arising on translation of foreign operations		**(88)**	–
Total comprehensive loss for the year		**(89,024)**	(22,514)
Loss for the year attributable to:			
Owners of the Company		**(87,985)**	(22,514)
Non-controlling interests		**(951)**	–
		(88,936)	(22,514)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(88,073)**	(22,514)
Non-controlling interests		**(951)**	–
		(89,024)	(22,514)
Loss per share (HK cents)			
Basic	9	**(22.47)**	(6.09)
Diluted	9	**(22.47)**	(6.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Non-current assets			
Goodwill	10	**–**	8,151
Trading rights		**–**	252
Property, plant and equipment		**3,504**	3,813
Deferred tax assets		**–**	1,100
Statutory deposits		**3,059**	2,997
Other intangible assets		**547**	547
Investments in jointly controlled entities	11	**–**	–
Loan to a jointly controlled entity	11	**–**	79,383
Rental and utility deposits		**2,163**	2,096
		9,273	98,339
Current assets			
Accounts receivable	12	**542,409**	441,326
Prepayments, deposits and other receivables		**2,855**	2,956
Loan to a jointly controlled entity	11	**219**	–
Amounts due from jointly controlled entities		**–**	13,603
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	13	**115,478**	93,912
		700,961	591,797
Current liabilities			
Accounts payable	14	**65,346**	54,618
Accrued liabilities and other payables		**13,425**	12,858
Amounts due to jointly controlled entities		**1,378**	–
Taxation payable		**443**	3,040
Short-term bank borrowings	15	**40,000**	–
		120,592	70,516
Net current assets		**580,369**	521,281
Total assets less current liabilities		**589,642**	619,620

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Non-current liability			
Financial liabilities designated at fair value through profit or loss	16	**–**	11,184
		589,642	608,436
Capital and reserves			
Share capital		**39,974**	37,459
Reserves		**548,126**	570,977
Equity attributable to owners of the Company		**588,100**	608,436
Non-controlling interests		**1,542**	–
Total equity		**589,642**	608,436

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Share capital	Shares held for share purchase scheme	Share premium	Capital reserve	Exchange reserve	Retained profits (Accumulated loss)	Share option reserve	Awarded shares compensation reserve	Other reserve	Sub–total	Attributable to non–controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note 1)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note 2)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	37,117	(3,221)	359,385	123,758	(854)	93,102	1,528	1,333	–	612,148	–	612,148
Loss for the year representing total comprehensive loss for the year	–	–	–	–	–	(22,514)	–	–	–	(22,514)	–	(22,514)
Exercise of share options	342	–	3,067	–	–	–	–	–	–	3,409	–	3,409
Transfer of share option reserve upon exercise of share options	–	–	1,085	–	–	–	(1,085)	–	–	–	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	–	–	(443)	–	–	(443)	–	(443)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	15,053	1,512	–	16,565	–	16,565
Share issue expenses	–	–	(3)	–	–	–	–	–	–	(3)	–	(3)
Shares purchased for share purchase scheme	–	(601)	–	–	–	–	–	–	–	(601)	–	(601)
Transfer of shares held for share purchase scheme upon vesting of shares	–	1,793	–	–	–	8	–	(1,801)	–	–	–	–
Reversal of awarded shares compensation reserve upon forfeiture of shares	–	–	–	–	–	–	–	(125)	–	(125)	–	(125)
At 31 December 2009	37,459	(2,029)	363,534	123,758	(854)	70,596	15,053	919	–	608,436	–	608,436
Loss for the year	–	–	–	–	–	(87,985)	–	–	–	(87,985)	(951)	(88,936)
Other comprehensive loss for the year	–	–	–	–	(88)	–	–	–	–	(88)	–	(88)
Total comprehensive loss for the year	–	–	–	–	(88)	(87,985)	–	–	–	(88,073)	(951)	(89,024)
Non-controlling interests arising on partial disposal of interests in subsidiaries *(Note 17)*	–	–	–	–	–	–	–	–	202	202	1,998	2,200
Additional non-controlling interests arising on issue of new equity shares	–	–	–	–	–	–	–	–	–	–	495	495
Exercise of share options	515	–	7,470	–	–	–	–	–	–	7,985	–	7,985
Transfer of share option reserve upon exercise of share options	–	–	2,953	–	–	–	(2,953)	–	–	–	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	–	54	(54)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	–	2,591	1,852	–	4,443	–	4,443
Share issue expenses	–	–	(25)	–	–	–	–	–	–	(25)	–	(25)
Transfer of shares held for share purchase scheme upon vesting of shares	–	2,029	–	–	–	742	–	(2,771)	–	–	–	–
Shares issue upon conversion of convertible bonds	2,000	–	53,132	–	–	–	–	–	–	55,132	–	55,132
At 31 December 2010	39,974	–	427,064	123,758	(942)	(16,593)	14,637	–	202	588,100	1,542	589,642

Notes

(1) Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong (the "High Court") had approved the reduction of the Company's capital and the cancellation of the Company's share premium account on 27 May 2003. By virtue of the High Court's sanction, the Company's share premium account of HK$45,878,129 was cancelled and the issued and fully paid share capital of the Company was reduced by HK$214,339,500 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, after eliminated against the accumulated loss of HK$136,459,429, in the aggregate amount of HK$123,758,200 were transferred to a capital reserve account of the Company. Such capital reserve account will not be treated as realised profits, and shall be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance until and unless the creditors of the Company as at the date of the sanction are fully settled. In view of the fact that the Company had already fully settled the relevant debts due to the creditors, the Company is of the view that the reserve is distributable to the Company's shareholders.

(2) Pursuant to the disposal of 9.9% of the interest in each of the two wholly-owned subsidiaries, VC Capital Limited and VC Asset Management Limited, at a consideration of HK$1,600,000 and HK$600,000 respectively completed on 10 February 2010, the difference of approximately HK$283,000 and negative HK$81,000 between the disposal proceeds and the amounts transferred to non-controlling interests of VC Capital Limited and VC Asset Management Limited of approximately HK$1,317,000 and HK$681,000 respectively had been recognised in Other Reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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

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

In the current year, the Group and the Company have applied a number of new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

Except for HKAS 27 (as revised in 2008) as described below, the adoption of the new and revised HKFRSs in the current year have no material effect on the consolidated financial statements of the Group and the financial statements of the Company for the current or prior accounting years.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

During the year, the Group disposed of 9.9% of the Group's interest in each of the two wholly-owned subsidiaries. The difference between the cash consideration and the proportional interests in the carrying values of the two wholly-owned subsidiaries, amounting to HK$202,000, is recognised directly in equity instead of profit or loss. Therefore, the change in accounting policy has resulted in an increase in the loss for the year of HK$202,000. In addition, the cash consideration received in the current year of HK$2,200,000 has been included in the cash flows from financing activities. Had the Group's previous accounting policy been followed, the gain on partial disposal would have been recognised in profit or loss.

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for the current year are as follows:

Impact on basic and diluted loss per share

	Impact on basic loss per share 2010 *HK cents*	Impact on diluted loss per share 2010 *HK cents*
Figures before adjustment	**22.42**	**22.42**
Adjustments arising from changes in the Group's accounting policies in relation to:		
Changes in ownership interests in subsidiaries	**0.05**	**0.05**
Figures after adjustment	**22.47**	**22.47**

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 [2]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets [5]
HKFRS 9	Financial instruments [7]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets [6]
HKAS 24 (as revised in 2009)	Related party disclosures [4]
HKAS 32 (Amendments)	Classification of rights issues [1]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a minimum funding requirement [4]
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments [3]

[1] Effective for annual periods beginning on or after 1 February 2010.
[2] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 January 2012.
[7] Effective for annual periods beginning on or after 1 January 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

4. REVENUE AND SEGMENT INFORMATION

Revenue principally arise from the financial services business comprising securities, futures and options brokering and dealing, provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services.

	2010	2009
	HK$'000	*HK$'000*
Revenue		
– Brokerage commission and other related fee from dealing in securities and futures and options contracts	**65,883**	94,534
– Underwriting, sub-underwriting, placing and sub-placing commission	**9,848**	5,797
– Arrangement, management, advisory and other fee income	**4,868**	7,632
– Interest income from clients	**35,030**	27,771
	115,629	135,734
Other income		
Interest income	**437**	908
Sundry income	**161**	4
	598	912
Total income	**116,227**	136,646

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group operates financial services business and classifies its business into three operating segments, namely brokerage, corporate finance and asset management, and reports to the Group's Executive Committee (being the Group's Chief Operating Decision Maker) accordingly. Details of these three operating and reportable segments are summarised as follows:

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

(ii) the corporate finance segment engages in the provision of corporate financial advisory services; and

(iii) the asset management segment engages in asset management services and proprietary trading.

The following tables represent revenue and results information for these segments for the years ended 31 December 2010 and 2009.

Year ended 31 December 2010

	Brokerage *HK$'000*	**Corporate finance** *HK$'000*	**Asset management** *HK$'000*	**Segment total** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Segment revenue	**110,811**	**4,818**	**–**	**115,629**	**–**	**115,629**
Intersegment sales	**–**	**80**	**–**	**80**	**(80)**	**–**
	110,811	**4,898**	**–**	**115,709**	**(80)**	**115,629**
Segment profit (loss)	**16,765**	**(8,193)**	**(1,301)**	**7,271**	**–**	**7,271**
Elimination of intra-group costs						**13,521**
Central administrative costs						**(26,096)**
Share of loss of jointly controlled entities						**(37,832)**
Fair value changes on financial liabilities designated at fair value through profit or loss ("FVTPL")						**(22,950)**
Fair value changes on derivative financial liabilities						**(11,033)**
Impairment of goodwill						**(8,151)**
Loss before taxation for the year						**(85,270)**

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Note)	
Amounts included in the measure of segment profit or loss:						
Interest income	**(433)**	**(2)**	**(1)**	**(436)**	**(1)**	**(437)**
Staff costs	**55,042**	**7,571**	**671**	**63,284**	**19,872**	**83,156**
Commission expenses	**6,257**	**–**	**–**	**6,257**	**–**	**6,257**
Depreciation of property, plant and equipment	**1,567**	**43**	**14**	**1,624**	**439**	**2,063**
Amortisation of trading rights	**252**	**–**	**–**	**252**	**–**	**252**
Finance costs	**2,607**	**–**	**–**	**2,607**	**(1,500)**	**1,107**
Amounts regularly provided to the Group's Executive Committee but not included in the measure of profit or loss:						
Share of loss of jointly controlled entities	**–**	**–**	**37,832**	**37,832**	**–**	**37,832**
Income tax expense	**2,566**	**1,100**	**–**	**3,666**	**–**	**3,666**

Year ended 31 December 2009

	Brokerage	Corporate finance	Asset management	Segment total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	130,075	5,659	–	135,734	–	135,734
Intersegment sales	215	555	–	770	(770)	–
	130,290	6,214	–	136,504	(770)	135,734
Segment profit (loss)	18,011	(7,857)	(4,656)	5,498	–	5,498
Elimination of intra-group costs						14,506
Central administrative costs						(23,510)
Share of loss of jointly controlled entities						(13,494)
Fair value changes on financial liabilities designated at FVTPL						(1,184)
Loss before taxation for the year						(18,184)

Other segment information

	Brokerage 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	(730)	(32)	(3)	(765)	(143)	(908)
Staff costs	75,884	7,031	1,690	84,605	17,621	102,226
Commission expenses	6,915	–	–	6,915	–	6,915
Depreciation of property, plant and equipment	1,630	107	37	1,774	279	2,053
Amortisation of trading rights	507	–	–	507	–	507
Recovery of doubtful receivables	(2,200)	–	–	(2,200)	–	(2,200)
Bad debts written off	–	148	–	148	–	148
Finance costs	3,556	–	–	3,556	(2,099)	1,457
Amounts regularly provided to the Group's Executive Committee but not included in the measure of profit or loss:						
Share of loss of jointly controlled entities	–	–	13,494	13,494	–	13,494
Income tax expense	4,330	–	–	4,330	–	4,330

Note: Adjustments represent the administrative costs and finance costs which are not included in the three operating segments. They are excluded from the measure of segment profit or loss.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group costs, share of loss of jointly controlled entities, fair value changes on financial liabilities designated at FVTPL, fair value changes on derivative financial liabilities and impairment of goodwill. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and assessment of performance.

Inter-segment sales are charged at prevailing market rate.

In 2010 and 2009, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are located in Hong Kong (country of domicile) and the People's Republic of China. The Group's revenue from external customers are mainly derived from Hong Kong for both 2010 and 2009. Almost all of its non-current assets, excluding deferred tax assets, investments in jointly controlled entities and loan to a jointly controlled entity, 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.

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2010	2009
	HK$'000	*HK$'000*
Staff commission	**36,495**	53,453
Salaries and wages	**34,502**	29,675
Staff welfare	**1,435**	1,224
Recruitment costs	**213**	105
Provision (reversal) of long service payment/annual leave benefits	**76**	(400)
Retirement benefits scheme contributions	**1,133**	1,123
Recognition of equity-settled share-based payment	**4,443**	15,996
Discretionary and performance related incentive payments	**4,859**	1,050
	83,156	102,226

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**1,107**	1,378
Loans from a shareholder	**–**	79
	1,107	1,457

7. INCOME TAX EXPENSE

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

	2010	2009
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**2,567**	4,335
Overprovision in prior year		
– Hong Kong Profits Tax	**(1)**	(5)
	2,566	4,330
Deferred tax		
Current year	**1,100**	–
	3,666	4,330

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

8. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31 December 2010 (2009: Nil).

9. 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:

	2010	2009
	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)	**(87,985)**	(22,514)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**391,617**	369,878

The computation of diluted loss per share for 2010 and 2009 is not presented as the exercise of the Company's share options and convertible bonds are antidilutive.

10. GOODWILL

	HK$'000
Cost	
At 1 January 2009, 1 January 2010 and 31 December 2010	8,151
Accumulated impairment	
At 1 January 2009 and 1 January 2010	–
Impairment loss recognised for the year	8,151
At 31 December 2010	8,151
Carrying value	
At 31 December 2010	–
At 31 December 2009	8,151

Such goodwill amount is solely relating to a cash-generating unit ("CGU"), VC Capital Limited, a subsidiary of the Company, which is included as corporate finance operating segment. As at 31 December 2010, the budgeted revenue for the purpose of impairment testing have been revised downward. An impairment loss of goodwill amounting to HK$8,151,000, representing the entire amount, has been recognised to the consolidated statement of comprehensive income after an impairment testing was performed.

The recoverable amount of the CGU has been determined on the basis of value in use calculation. For impairment purpose, the calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.5% (2009: 14%). Another key assumption is the budgeted revenue, which is determined based on the CGU's past performance and management's expectations for the market development.

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES (THE "JCE")

As at 31 December 2010 and 2009, 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	
					2010	2009	**2010**	2009
MVC Macau Property Development Fund Limited	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
VC Property Asset Management Limited	Incorporated	British Virgin Island	Provision of property investment management in Macau	Ordinary	**50%**	50%	**50%**	50%

The wholly-owned subsidiaries of MVC Macau Property Development Fund Limited are as follows:

Name of entity	Form of business structure	Place/country of incorporation/registration	Principal activity and place of operations
Guia Hill (BVI) Holdings No.1 Limited	Incorporated	British Virgin Island	Property investment holding in Macau
Guia Hill (BVI) Holdings No.2 Limited	Incorporated	British Virgin Island	Property investment holding in Macau
Guia Hill (Macau) Investments Limited (Note)	Incorporated	Macau	Property investment holding in Macau

Note: The entity has been fully disposed during the year.

The Group has loan advanced to a jointly controlled entity which forms part of the net investment in the JCE. During the year, the JCE incurred losses in excess of cost of investments. The net investment in the JCE is as follows:

	THE GROUP		**THE COMPANY**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of investments in jointly controlled entities	**1**	1	**–**	–
Share of post-acquisition losses and other comprehensive income	**(1)**	(1)	**–**	–
	–	–	**–**	–
Loan to a jointly controlled entity	**219**	95,000	**219**	95,000
Less: Loss allocated in excess of cost of investments	**–**	(15,617)	**–**	–
Less: Allowance for impairment	**–**	–	**–**	(15,617)
	219	79,383	**219**	79,383

The loan is unsecured and bears interest at 3-month HIBOR plus 2.6% per annum commencing from the establishment of the relevant funds by the JCE.

Since the sale of investment property in Macau, the business plan of the JCE has been abandoned. On 5 August 2010, Guia Hill (BVI) Holdings No. 1 Limited and Guia Hill (BVI) Holdings No. 2 Limited (the "Vendors"), being direct wholly owned subsidiaries of MVC Macau Property Development Fund Limited, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") as supplemented by the supplemental agreement with two independent third parties to dispose of the entire issued share capital of Guia Hill (Macau) Investments Limited, which held the investment property in Macau directly. The transaction has been completed during the year. The net proceed from the disposal is approximately HK$241.9 million. After the repayment of bank loan of the JCE, the Company has received a net receipt of approximately HK$41.3 million for settlement of the shareholder's loan and recognised a further share of loss of approximately HK$37.8 million. As a result, the outstanding loan to the JCE amounted to HK$219,000 and it is expected to be repaid within the next twelve months.

12. ACCOUNTS RECEIVABLE

	2010	2009
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**6,627**	14
Cash clients	**62,807**	108,032
Margin clients	**471,246**	333,250
– Futures and options contracts transactions:		
HKFE Clearing Corporation Limited ("HKCC")	**1**	1
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note b)*	**1,728**	29
	542,409	441,326

The Group has established procedures and policies to assess the potential clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit worthiness.

The credit quality of accounts receivable are summarised as follows:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**532,367**	431,544
Past due but not impaired *(Note c)*	**4,536**	6,877
Impaired *(Note d)*	**6,781**	11,116
	543,684	449,537
Less: Allowance for impairment *(Note d)*	**(1,275)**	(8,211)
	542,409	441,326

The accounts receivable with a carrying amount of approximately HK$532,367,000 are neither past due nor impaired as at 31 December 2010 (2009: HK$431,544,000). The management considers that the collaterals are sufficient and is satisfied with the credit quality of the clients.

Notes:

(a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date.

Accounts receivable due from brokers bear interest at commercial rates.

Accounts receivable due from cash clients are secured by clients' pledged listed securities at fair values of approximately HK$435,762,000 as at 31 December 2010 (2009: HK$460,049,000). No collateral held can be repledged by the Group and the corresponding collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Cash client receivables which are past due bear interest at commercial rates.

Accounts receivable due from margin clients are included in "Neither past due nor impaired" as these accounts have no specific maturity date. The accounts receivable are secured by clients' pledged listed securities at fair values of approximately HK$1,323,816,000 as at 31 December 2010 (2009: HK$993,233,000), repayable on demand and bear interest at commercial rates. The decision of the interest rate changes is based on management's discretion. 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 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.

As at 31 December 2010, accounts receivable of HK$1,250,000 (2009: HK$178,000) was due from key management personnel and directors of the Group, and close family members of these directors, in respect of transactions in securities undertaken for their accounts.

In respect of these accounts receivable arising from the ordinary course of business of dealing in securities transactions and futures and options contracts transactions, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**66,050**	101,839
31 – 90 days	**3,268**	4,179
Over 90 days	**117**	2,029
	69,435	108,047

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

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**1,228**	–
31 – 90 days	**500**	29
Over 90 days	**–**	–
	1,728	29

(c) Included in "Past due but not impaired" are accounts receivable due from clients which are past due at the end of the reporting period for which the Group has not provided for any impairment loss.

For cash client receivables which are past due but not impaired amounting to approximately HK$4,036,000 as at 31 December 2010 (2009: HK$6,848,000), no impairment loss was provided. These amounts are considered recoverable as at 31 December 2010 as the Group holds securities collateral for these balances with fair values over the relevant carrying amounts.

The remaining balance of accounts receivable which are past due but not impaired are those amounts arising from provision of corporate financial advisory services amounting to approximately HK$500,000 as at 31 December 2010 (2009: HK$29,000). The Group has not provided for any impairment loss as the debtors are with good credit quality and there are on-going projects with the Group. The extent of delay of these repayments is considered normal in the corporate financial advisory industry.

In respect of accounts receivable which are past due but not impaired at the end of the reporting period, the aging analysis based on the trade date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Past due		
Up to 30 days	**–**	–
31 – 90 days	**3,728**	4,208
Over 90 days	**808**	2,669
	4,536	6,877

(d) 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, collaterals and the past collection history of each client.

Movements in the allowance for impairment in the reporting period are as follows:

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**8,211**	14,990
Impairment loss recognised	**–**	1,315
Impairment loss reversed	**–**	(3,515)
Amounts written off as uncollectible	**(6,936)**	(4,579)
Balance at end of the year	**1,275**	8,211

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

13. 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 0.43% (2009: 0.0001% to 1.4%) 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 Future 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 2010, the Group maintained segregated accounts with HKCC of approximately HK$3,244,000 (2009: HK$3,372,000) and the authorised institutions of approximately HK$289,667,000 (2009: HK$335,140,000) in conjunction with its brokerage, future and corporate financial advisory businesses as a result of its normal business transactions with amounts which are not otherwise dealt with in the consolidated financial statements.

14. ACCOUNTS PAYABLE

	2010	2009
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*:		
– Clearing house and brokers	**7,643**	29,853
– Cash clients *(Note b)*	**32,991**	21,773
– Margin clients	**24,712**	2,992
	65,346	54,618

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. No aging analysis is disclosed as, in the opinion of Directors of the Company, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.

(b) As at 31 December 2010, accounts payable of approximately HK$901,000 (2009: HK$648,000) due to key management personnel and directors of the Group, and close family members of these directors, in respect of transactions in securities undertaken for their accounts.

15. SHORT-TERM BANK BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Secured	**40,000**	–

The short-term bank borrowings was secured by the pledged bank deposits and bore an interest rate at HIBOR plus 2% per annum as at 31 December 2010. The weighted average effective interest rate for the year ended 31 December 2010 is 2.39% per annum.

16. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL LIABILITIES

On 30 November 2009, the Company issued Hong Kong dollar denominated convertible bonds in a principal amount of HK$10,000,000 maturing on 30 November 2011 (the "Convertible Bonds"). The Convertible Bonds entitle the bondholders to convert to ordinary shares at a conversion price of HK$1 per ordinary share.

Conversion may occur at any time between 1 March 2010 and 29 November 2011. If the Convertible Bonds have not been converted, they will be redeemed on 30 November 2011 at the principal amount. Interest of 1% per annum is payable semi-annually until the notes are converted or redeemed.

Under the terms of the Convertible Bonds, the Company may redeem in whole or in part of the Convertible Bonds within three months from the issue date at 100.25% of the principal amount. The bondholders who convert the Convertible Bonds within one year from the date of issue will be granted options which will entitle them to subscribe for further convertible bonds (the "Optional Bonds") equal to the principal amount of the Convertible Bonds converted by that converting bondholder. The Optional Bonds would be issued under the same terms and conditions as the Convertible Bonds, except that no option to subscribe for further convertible bonds will be granted to the bondholder and the right to redeem the Optional Bonds within the first three months from the date of issue by the Company will not be applicable.

The Convertible Bonds were classified as financial liabilities designated at fair value through profit or loss and are measured at fair value as at 31 December 2009 using Binomial pricing model. The fair value as at 31 December 2009 was approximately HK$11,184,000 in accordance with a valuation report prepared by an independent valuer.

On 9 April 2010, the Company had received a conversion notice from the bondholder requesting the conversion of the Convertible Bonds in full into 10,000,000 ordinary shares of HK$0.1 each of the Company. As such, the option to subscribe for additional HK$10,000,000 convertible bonds (the "HK$10M Optional Bonds") with a conversion price of HK$1 per ordinary share of the Company was issued to the bondholder. The bondholder has to exercise the option to subscribe for the HK$10M Optional Bonds no later than 30 November 2010 and the maturity date of the HK$10M Optional Bonds will be on 30 November 2011. The option to subscribe for the HK$10M Optional Bonds was recognised as derivative financial liabilities and the change in fair value was recognised in the profit or loss.

On 21 April 2010, the bondholder had exercised the option for the HK$10M Optional Bonds and subscribed for the HK$10M Optional Bonds with cash proceed of HK$10,000,000. On the same date, the bondholder had converted this in full into 10,000,000 ordinary shares of HK$0.1 each of the Company.

The fair values of the Convertible Bonds as at 9 April 2010 and the HK$10M Optional Bonds as at 21 April 2010 were calculated using the Binomial pricing model, in which the parameters were as follows:

	9 April 2010 Convertible bonds	**21 April 2010 HK$10M Optional bonds**
Yield to maturity	10.91%	9.33%
Risk free rate	0.533%	0.462%
Spot price of the Company	HK$2.13	HK$3.30
Expected volatility	85.54%	85.52%
Dividend yield	0%	0%

Yield to maturity was determined with reference to the discount rate by credit rating. Risk free rate was determined with reference to yield of 1.64 years and 1.61 years Hong Kong Exchange Fund Note as at the valuation date of 9 April 2010 and 21 April 2010 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.64 years and 1.61 years respectively.

The fair values of the option for the HK$10M Optional Bonds were calculated as at 9 April 2010 and 21 April 2010 using the Binomial pricing model, in which the parameters were as follows:

	9 April 2010	**21 April 2010**
Risk free rate	0.09%	0.09%
Spot price of the Company	HK$2.13	HK$3.30
Expected volatility	42.26%	57.04%
Dividend yield	0%	0%

Risk free rate was determined with reference to yield of 0.64 year and 0.61 year Hong Kong Exchange Fund Notes as at the valuation dates of 9 April 2010 and 21 April 2010 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 0.64 year and 0.61 year respectively.

The movements of the Convertible Bonds and the HK$10M Optional Bonds for the period from 1 January 2010 to 21 April 2010 in accordance with a valuation report prepared by an independent valuer as at 9 April 2010 and 21 April 2010 are summarised as below:

Financial liabilities designated at fair value through profit or loss

	HK$'000
Balance at date of issue	10,000
Fair value change	1,184
Balance at 31 December 2009	11,184
Fair value change recognised to profit or loss upon shares conversion of the Convertible Bonds	22,950
Conversion of the Convertible Bonds into shares recognised to equity	(22,038)
Option for the HK$10M Optional Bonds recognised as derivative financial liabilities	(12,061)
Interest paid on the Convertible Bonds	(35)
Balance at 31 December 2010	–

Derivative financial liabilities

	HK$'000
Balance at 1 January 2010	–
Option for the HK$10M Optional Bonds recognised as derivative financial liabilities	12,061
Fair value change recognised to profit or loss upon exercise of the option for the HK$10M Optional Bonds	11,033
Conversion of the HK$10M Optional Bonds into shares recognised to equity	(23,094)
Balance at 31 December 2010	–

Optional Bonds

	HK$'000
Subscription at 21 April 2010	10,000
Conversion of the HK$10M Optional Bonds into shares recognised to equity	(10,000)
Balance at 31 December 2010	–

17. DISPOSAL OF INTERESTS IN SUBSIDIARIES THAT DOES NOT RESULT IN LOSING CONTROL

On 10 February 2010, the Group had completed the disposal of 9.9% of its interests in each of the two wholly-owned subsidiaries, VC Capital Limited and VC Asset Management Limited, at a cash consideration of HK$1,600,000 and HK$600,000 respectively, reducing its controlling interests to 90.1% respectively. The proceeds on disposal had been settled in cash on the disposal date.

The difference of approximately HK$283,000 and negative HK$81,000 between the disposal proceeds and the amounts transferred to non-controlling interests of VC Capital Limited and VC Asset Management Limited of approximately HK$1,317,000 and HK$681,000 respectively had been recognised directly in equity.

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 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the HKSE Code except for one deviation mentioned below:

Under the code provision A.4.1 of the HKSE Code, non-executive directors should be appointed for a specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. However, under the article 92 of the Articles of Association of the Company, all Directors, including non-executive directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The reasons for the deviation are 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.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements and results for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group. The Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the year ended 31 December 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2011 will be held on Thursday, 26 May 2011. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2010 Annual Report in due course, which will also be available on the Stock Exchange's website at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's annual report for the year 2010 will be available at the same websites and will be despatched to the Company's shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five Executive Directors, namely, Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry (Chief Investment Officer), Ms. So Wai Yee, Betty (Chief Financial Officer), Ms. Lam Yuk Ying, Elsa and Mr. Zhou Wentao; three Non-executive Directors, namely, Dr. Lee Jun Sing (Chairman), Mr. Lam Cho Ying, Terence Joe and Ms. Wang Ying; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Tse On Kin and Mr. Lam Ka Wai, Graham.

By Order of the Board of
Value Convergence Holdings Limited
Chau King Fai, Philip
Executive Director

Hong Kong, 24 March 2011