Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited ("VC" or the "Company") submits the audited consolidated results of the Company and its subsidiaries (collectively "VC Group" or the "Group") for the year ended 31 December 2012, together with the audited comparative figures of the corresponding period in 2011.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue for the year ended 31 December 2012 amounted to approximately HK$65.2 million, which had decreased by about 30% as compared with the same period in 2011.

The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$37.2 million for the year ended 31 December 2012 against a consolidated loss of approximately HK$26.7 million for the same period in 2011.

CHIEF EXECUTIVE OFFICER'S STATEMENT

2012 was still a very challenging year with uncertainties in the global financial markets, China and Hong Kong stock markets and our Group.

The aftershocks from the financial tsunami continued to ripple through 2012. The changes of leadership in major countries like China and US last year pointed to potential changes in the fiscal policies of these governments. This contributed to greater uncertainties in the global financial and investment markets, which dampened the investment sentiment and investment climate continuously in 2012. This also extended to the global initial public offering activities and the merger and acquisition transactions. Hong Kong, being an international financial center, was inevitably affected by the murky macro environment. The local stock market remained highly volatile through the first three quarters of 2012.

Fortunately, the leadership changes in China and US turned out to be smooth and stable, which ensured the relative stability of China's and US's monetary and fiscal policies. Meanwhile, many Eurozone countries resolved to offer assistance to Spain and Greece over the debt crisis. All these served as positive stimulus to the global investment markets, which improved and stabilized in the fourth quarter of 2012. This was echoed with the continuous new listings and public offerings on the Hong Kong stock market starting from the fourth quarter, which showed the initial recovery of the market sentiment.

Despite the total market capitalization of Hong Kong stock market increased by about 25% from HK$17,537 billion as at 31 December 2011 to HK$21,950 billion as at 31 December 2012, the average daily trading turnover of 2012 was dropped from HK$69.7 billion of 2011 to HK$53.9 billion of 2012, representing an about 23% drop. VC Group, as a financial services provider in Hong Kong, the business performance could not escape from being impacted for the year of 2012.

Looking forward, the Group expects 2013 to be still challenging to the financial sector. The European debt crisis is a major global economic problem that will keep driving market speculation if it remains unresolved and not handled properly. The market conditions are expected to keep being volatile, and the market sentiment will be difficult to improve. Despite that, in the coming year, the Hong Kong investment market is expected to head towards brighter prospects with the support from the Mainland market. It will create a more conducive business environment for the Group's brokerage and corporate financing businesses, which are set for cautiously optimistic prospects.

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. I also take this opportunity to thank our management team and staff for their hard work and dedication during the year, as they share the Group's mission in taking our business to greater heights in the days to come. We will continue to apply our excellent operational capabilities to serve customers, to pursue business diversification and acquisition, to strive for innovation and to ensure that we will be able to reap benefits when the market rebounds stably. I believe that with the Group's diversified financial services, our professional management team, and the extensive support from our business partners, the Group will be able to seize any opportunities that promise to deliver greater returns for our shareholders.

Ha Shu Tong
Chief Executive Officer and Executive Director

Hong Kong, 21 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Throughout the year, the world's major financial markets were facing various uncertainties. Following the financial tsunami that erupted in late 2008, a number of governments initiated substantial quantitative easing and other monetary and fiscal measures; as a result, many economies avoided recession continuously and recovered gradually.

These measures helped stabilize the capital markets, stimulate domestic demand and encourage global economic growth for a while. However, the aftershocks from the financial tsunami still rippled through 2012, a year that was overshadowed by different challenges and uncertainties – the looming fiscal cliff for the US in the second half of 2012; the escalation of the European debt crisis, especially for Spain and Greece; and the potential slowdown of emerging markets, among others. All this dampened the investment climate.

In 2012, China's economic growth hit a slowdown because of weak foreign demand and stagnant domestic demand. During the year, the European debt crisis eased while the US economy slowed; it put considerable strain on China's external trade and the country's economic growth abated. In addition, there were elections and leadership changes in major countries like China, US, France and even in Hong Kong last year, which pointed to potential changes in the fiscal policies of these governments. This contributed to greater uncertainties in the global financial and investment markets amid the aftershocks from the financial tsunami. The global stock markets remained highly volatile, which dampened the investment sentiment and investment climate continuously. This extended to the global initial public offering activities and the merger and acquisition transactions, especially in the Asia-Pacific region. In the light of the continued deterioration of market conditions and unexpected excessive market volatility, many companies postponed or shelved their proceeding with new listings or public offerings.

Fortunately, while investor confidence was dented by political uncertainties, the leadership change in China and US turned out to be smooth and stable. The successful transitions ensured the relative stability of China's and US's monetary and fiscal policies. Further, many Eurozone countries resolved to offer assistance to Spain and Greece over the debt crisis. The European Central Bank pledged to buy unlimited quantities of government bonds of troubled Eurozone members. Meanwhile, the US housing market showed a steady recovery. These changes served as positive stimulus to the global investment markets, which improved and stabilized in the fourth quarter of 2012.

Further, while quantitative easing measures were launched in the external economic environment, there was a steady inflow of hot money into the Asian-Pacific region in the fourth quarter of 2012. This was conducive to the stock markets in the region, with many recording considerable growth for the year.

As an international financial center, Hong Kong was inevitably affected by the murky macro environment. The local stock market in 2012 was still volatile, especially in the first three quarters of 2012, and the gloomy market sentiment was manifested by the stagnancy in the Hong Kong daily trading turnover, market capitalization and other various market indices. Fortunately, starting from the fourth quarter, there were continuous new listings and public offerings on the Hong Kong stock market and there was a steady inflow of hot money into the Hong Kong market. They received strong market responses as most of the initial public offerings were over-subscribed, along with growing news about mergers and acquisitions, propelling it to a 16-month high when the market closed at the end of December 2012. This shows an initial recovery of the market sentiment, and reaffirms Hong Kong as a regional center for capital formation and market leader.

As at 31 December 2012, the Hang Seng Index closed at 22,656 which was about 23% higher than that of 18,434 at the end of 2011, and the Hang Seng China Enterprises Index closed at 11,436 as at 31 December 2012, which was about 15% higher than that of 9,936 as at 31 December 2011. Meanwhile, the total market capitalization had also increased by about 25% from approximately HK$17,537 billion as at 31 December 2011 to HK$21,950 billion as at 31 December 2012.

However, despite the upswing of these market indices throughout the year, the Hong Kong stock market's average daily trading turnover had dropped significantly in 2012, which showed that the market sentiment was yet to pick up despite the market's gradual recovery. All this points to volatility in the market in the coming year as well. The average daily trading turnover of 2012 decreased to approximately HK$53.9 billion from HK$69.7 billion for the same period in 2011, representing a drop of about 23%. Further, the figure marked a fall in the second half of 2012, dropping by about 10% from approximately HK$56.7 billion in the first half of the year to HK$51.1 billion in the second half. This revealed that the market sentiment of local investors in 2012 was still greatly suppressed by the market uncertainties.

This was also reflected in the total fund raising in Hong Kong (including initial public offerings) of HK$304.2 billion in 2012, a decrease of about 38% when compared with HK$490.4 billion in 2011, in which the fund raising from the initial public offerings was HK$89.8 billion in 2012, a decrease of about 65% when compared with HK$259.8 billion in 2011. When further compared to the local market indices as at 31 December 2012, say the Hang Seng Index, the Hang Seng China Enterprises Index and the total market capitalization, with that of the years before the pre-financial tsunami, it was noted that the investors' sentiment were still greatly impacted.

Being a financial services provider, the business performance of the Group in 2012 definitely continued to be affected by the global and local economic and market conditions. Fortunately, with our sound balance sheet, premium investment and wealth management services and products against our peers, we believe that we possess clear competitive advantages and we can continue to enhance our shareholders' value. The Group will endeavor to strive for better performance and prepare ourselves for future business opportunities.

For details of the financial results analysis of the Group for the year ended 31 December 2012 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects 2013 to be still challenging for the financial sector. The European debt crisis is a major global economic problem that will continue to cast a gloom over investment market if it remains unresolved and not handled properly. It is expected to cause continued volatility for the market and dampen the market sentiment.

Considering the close economic ties between Hong Kong and the Mainland, the current 12th Five-Year Plan of China delivered in 2011 aims at promoting closer economic partnership arrangements and regional economic development, consolidating Hong Kong's position as an international financial center, and further strengthening the collaboration between Hong Kong, Macau and the Mainland. And the development of Qian Hai financial zone will bring new business opportunities to financial sectors. With the further opening of China's finance industry, more qualified China enterprises are expected to become listed on the Hong Kong stock market or to look for targets of merger and acquisitions. All these will bring new stimulus to the Hong Kong stock market. We see that Hong Kong is still poised to benefit from China's relatively optimistic economic prospects.

In the coming year, the Hong Kong investment market is expected to head towards brighter prospects with the support from the Mainland market. It will create a more conducive business environment for the Group's brokerage and corporate financing businesses, which are set for cautiously optimistic prospects.

The Group will continue to apply our excellent operational capabilities to serve customers, to pursue business diversification and acquisition, to strive for innovation and to ensure that we will be able to reap benefits when the market rebounds stably.

Long-Term Business Strategy

The Group's core businesses and objectives remain focused on securities, futures and options brokering (including local and overseas securities dealing, securities borrowing and lending and short selling, futures and options trading, derivatives and other structured products trading, margin financing, placement and underwriting, etc.), corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, as well as asset management.

The Group has established an excellent reputation over the years. The Group's business model is backed by an extensive business network, quality services that cater to clients' needs, fair and competitive fees, and a proactive and professional team that is dedicated to innovation and exploration of new markets to yield business returns for the Group's shareholders.

Throughout the year of 2012, the Group did not make any significant changes to its business strategy. Amid market volatility, the Group maintained its competitive edge through providing diversified financial services, with the support of its professional management team and business partners. The Group will continue to seize any opportunities that promise to deliver greater returns for its shareholders.

Financial Review

Affected by dampened investment sentiment and investment climate as aforementioned in the section "Business Review" above, the Group's consolidated revenue was approximately HK$65.2 million for the year ended 31 December 2012, which had decreased by about 30% as compared with the same period in 2011. The Group recorded a consolidated loss attributable to shareholders amounting to approximately HK$37.2 million for the year ended 31 December 2012 against a consolidated loss of approximately HK$26.7 million for the same period in 2011.

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

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Segmental results:		
Brokerage	**(7,520)**	903
Corporate Finance	**(11,358)**	(6,903)
Asset Management	**(563)**	(1,611)
Group operating loss	**(19,441)**	(7,611)
Unallocated costs	**(16,763)**	(18,842)
Impairment loss on available-for-sale investment	**(150)**	(241)
Loss before taxation	**(36,354)**	(26,694)
Income tax expense	**(1,216)**	(550)
Loss for the year	**(37,570)**	(27,244)
Non-controlling interests	**327**	584
Loss for the year attributable to shareholders of the Company	**(37,243)**	(26,660)

Brokerage

For the year ended 31 December 2012, the Group's brokerage business, through VC Brokerage Limited ("VC Brokerage") and VC Futures Limited (both are the indirect wholly owned subsidiaries of the Company), recorded revenue of approximately HK$59.9 million, representing a decrease of about 27% from HK$81.7 million for the same period last year. The drop in brokerage revenue was mainly due to the significant decrease in interest income from financing business to approximately HK$19.5 million for the year ended 31 December 2012 from HK$31.7 million for the same period last year, representing a significant drop of about 38%. This was mainly attributable to the decrease of our average loan portfolio by about 35% to HK$249.6 million for the year ended 31 December 2012 from approximately HK$386.4 million for the same period last year, resulting in the substantial decrease in revenue from interest income. Nevertheless, our loan portfolio had increased gradually to HK$281.2 million by the end of 2012 when the Hong Kong stock market improved and stabilized in the fourth quarter of 2012. Besides, in view of the uncertain market conditions, the Group had strengthened the credit control policies and procedures, including the review of our clients' creditworthiness and credit limits, so as to minimize our credit risk exposure. For the year ended 31 December 2012, the Group had made an additional impairment of HK$1.1 million (2011: HK$4.8 million) for accounts receivable arising from the ordinary course of business of dealing in securities transactions in accordance with the Group's established credit policies and procedures which were principally based on the doubtful unsecured exposure having assessed the fair values of the clients' collaterals held, the evaluation of collectability and aging analysis of the client accounts.

Meanwhile, the Group's brokerage commission and other related fee from dealing in securities and futures and options contracts had also decreased to approximately HK$35.6 million for the year ended 31 December 2012 from approximately HK$44 million for the same period last year, representing a decrease of about 19%, which reflected the poor market sentiment of the Hong Kong stock market and revealed the continuous drop in its average daily trading turnover in 2012 as mentioned in the section "Business Review" above. Net brokerage commission income was relatively decreased by about 23% from approximately HK$16.9 million to HK$13 million.

Further, the Group also offers placing and underwriting services to our customers, and acts as placing agents and underwriters for many Hong Kong listed companies' fund raising activities. For the year ended 31 December 2012, the same as other revenue streams, the Group's placing and underwriting commission generated had also decreased to approximately HK$4.8 million (2011: HK$5.9 million) due to the slowdown in the pace of both the primary and secondary market financing activities affected by the volatile global economy. Nevertheless, the Group will continue to put efforts to capture the opportunities towards the initial public offerings and other fund raising exercises in Hong Kong once the market sentiments improved.

Overall, the operating performance of the brokerage and related businesses for the year ended 31 December 2012 was significantly worse than that of last year. For the year ended 31 December 2012, the operating loss before and after taxation generated from the brokerage business was approximately HK$7.5 million (2011: profit before and after taxation of approximately HK$0.9 million and HK$0.5 million respectively).

Corporate Finance

During the year ended 31 December 2012, VC Capital Limited ("VC Capital"), an indirect wholly owned subsidiary of the Company, had been appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions and even actively involved in helping some clients as sponsor to seek for new listings on both the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Growth Enterprise Market of the Stock Exchange.

For the year ended 31 December 2012, the Group's corporate financial advisory and related businesses recorded a revenue totaling approximately HK$5.3 million (2011: HK$11.2 million), and generated an operating loss before and after taxation of approximately HK$11.4 million (2011: loss before and after taxation of approximately HK$6.9 million and HK$7.1 million respectively). Its business performance for the year ended 31 December 2012 was much worse as compared to that of the same period in 2011. As mentioned in the section "Business Review" above, due to the continuous poor market sentiment, many companies have delayed their new listings and other public offerings plans and even some merger and acquisition transactions have also been on hold since the second half of 2011 and even in 2012. As such, the operating performance of the corporate finance business had adversely affected in 2012.

Nevertheless, as aforementioned, there were more new listings and public offerings kick-off from the fourth quarter of 2012 in the Hong Kong stock market. It is still expected that the Group can capture the growing business opportunities from the more favourable market conditions after the full return of a bullish market.

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

Asset Management

Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Group is still pursuing new business opportunities to grow its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of our customers. In the past few years, it is confirmed that the economic recovery continues to gain some momentum after the financial tsunami, however, it is still in the early stage of recovery and the global economic growth remains fragile, which make the development of our asset management business more difficult and competitive.

For the year ended 31 December 2012, the Group's asset management business, mainly through VC Asset Management Limited (an indirect wholly owned subsidiary of the Company) recorded an operating loss before and after taxation of approximately HK$0.6 million (2011: HK$1.6 million), which mainly representing the general operating expenses incurred for such business.

Unallocated Costs

For the year ended 31 December 2012, the unallocated costs of the Group was approximately HK$16.8 million as compared to approximately HK$18.8 million for the same period in 2011, which mainly included the unallocated corporate rental and utility expenses, staff costs and related expenses, and professional costs, etc.

Finance Costs

During the year ended 31 December 2012, the finance costs of the Group was approximately HK$0.9 million (2011: HK$0.9 million), in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage business.

Income Tax Expense

During the year ended 31 December 2012, the estimated income tax expense of the Group amounted to approximately HK$1.2 million (2011: HK$0.6 million). No provision for Hong Kong Profits Tax had been made as there was no assessable profits during the year ended 31 December 2012 (2011: HK$0.4 million). The income tax expense for the previous year was mainly the provision of income tax charge in relation to the profitability generated from the Group's brokerage business. The provision of approximately HK$1.2 million for the PRC Enterprise Income Tax in the current year had been made by the PRC subsidiary as it was probable that the waiver of intercompany balance by another group entity will be subject to the tax.

Liquidity and Financial Resources/Capital Structure

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

The Group adopts a prudent treasury policy. As at 31 December 2012, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances were put in time deposits, saving deposits and current accounts as at 31 December 2012.

The Group held banking facilities of HK$130 million granted from a bank to a subsidiary, VC Brokerage, as at 31 December 2012 (2011: HK$130 million), in which HK$80 million (2011: HK$80 million) was general short-term money market loan and current account overdraft and was currently required to be secured by bank deposits of HK$40 million (2011: HK$40 million), and the other HK$50 million (2011: HK$50 million) was short-term money market loan for margin financing business and was required to be secured by VC Brokerage's margin clients' listed securities when utilised. As at 31 December 2012, the Group had utilised the general short-term money market loan of HK$40 million (2011: HK$40 million), which bore an interest rate at HIBOR plus 2% per annum, by pledge of bank deposits of HK$40 million (2011: HK$40 million).

As at 31 December 2012, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$531.1 million (2011: HK$559.1 million), HK$263.4 million (2011: HK$321 million) and HK$538.9 million (2011: HK$568.7 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 6.8 as at 31 December 2012 (2011: 9.5).

As at 31 December 2012, the total number of issued ordinary shares of the Company was 405,924,829 at HK$0.10 each (2011: 399,736,829 shares of HK$0.10 each). The increase of 6,188,000 shares during the year ended 31 December 2012 was due to the exercise of share options by the Directors and the employees of the Group.

The placing and issue of 79,900,000 warrants ("Warrant(s)") at an issue price of HK$0.05 per Warrant completed on 14 July 2011. Each Warrant carried the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27 and could be exercised at any time during a period of 12 months commencing from the date of issue of the Warrants. No Warrants had been exercised during the exercise period, i.e. from 14 July 2011 to 13 July 2012. The Warrants had been expired on 13 July 2012.

Charges on Group Assets

As aforementioned, the Group had made a HK$40 million charge over its bank deposits to a bank (2011: 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 2012 (2011: HK$80 million).

Gearing Ratio

As at 31 December 2012, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was still at a satisfactory level of about 0.07 times (2011: 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. During the year ended 31 December 2012, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize the exchange related risks.

Headcount and Employees Information

As at 31 December 2012, the Group had a total of 101 employees (2011: 119), of whom all are located in Hong Kong (2011: 108 and 11 were located in Hong Kong and China respectively). The decrease in the headcount in 2012 was mainly attributable to the close down of the Shenzhen office in July 2012 so as to reduce the operational costs. The Group has adopted an alternative plan to explore the business opportunities in China since then.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$47.4 million and HK$19.7 million respectively for the year ended 31 December 2012 (2011: HK$56.2 million and HK$24.3 million respectively). The former one included equity-settled share-based payments of approximately HK$3.2 million for the year ended 31 December 2012 (2011: HK$3.8 million), in which part of these were included in the segment results and part thereof in the unallocated costs. Details had been given in notes 4 to 5 to the consolidated financial statements.

The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, 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 2012, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those given in note 20 to the consolidated financial statements.

Future Plans for Material Investments or Capital Assets

As at 31 December 2012, 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 2012, the Group did not have any significant commitments contracted but not provided for in the consolidated financial statements in respect of purchase of property and equipment (31 December 2011: Nil).

On 17 October 2012, the Company entered into a non-legally binding memorandum of understanding ("MOU") with a potential subscriber in relation to a proposed subscription of new shares in the capital of the Company (the "Proposed Share Subscription"), in which the MOU was subject to (i) completion of due diligence on the Group's business operations and financial position to the satisfaction of the potential subscriber; and (ii) the execution of definitive agreements for the Proposed Share Subscription between the Company and the potential subscriber. The potential subscriber may become the new controlling shareholder of the Company if the transaction was completed. The MOU had expired on 15 January 2013. As additional time was required for, among other things, completing the due diligence works and negotiating the terms for definitive agreement(s) for the Proposed Share Subscription by the parties, the Company and the potential subscriber had entered into a supplemental MOU (the "Supplemental MOU") on 15 January 2013 to extend the validity period of the MOU for 45 days from the date of the Supplemental MOU. However, due to no definitive terms had been agreed and no legally binding agreement had been entered into between the Company and the potential subscriber in relation to the Proposed Share Subscription, the MOU and the Supplemental MOU had lapsed and terminated on 1 March 2013.

Contingent Liabilities

As at 31 December 2012, the Company had given financial guarantees of HK$130 million (2011: HK$130 million) to a bank in respect of banking facilities of HK$130 million provided to VC Brokerage as mentioned in the section "Liquidity and Financial Resources/Capital Structure" above. As at 31 December 2012, banking facilities of an amount of HK$40 million was utilised by VC Brokerage (2011: HK$40 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	4	**65,172**	92,865
Other income	4	**2,104**	608
Staff costs	5	**(67,098)**	(80,466)
Commission expenses		**(4,287)**	(3,668)
Depreciation of property and equipment	12	**(1,576)**	(1,960)
Finance costs	6	**(896)**	(856)
Other operating expenses		**(27,689)**	(27,788)
Other losses	7	**(2,084)**	(5,429)
Loss before taxation		**(36,354)**	(26,694)
Income tax expense	9	**(1,216)**	(550)
Loss for the year	8	**(37,570)**	(27,244)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(2)**	13
Total comprehensive income for the year		**(37,572)**	(27,231)
Loss for the year attributable to:			
Owners of the Company		**(37,243)**	(26,660)
Non-controlling interests		**(327)**	(584)
		(37,570)	(27,244)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(37,245)**	(26,647)
Non-controlling interests		**(327)**	(584)
		(37,572)	(27,231)
Loss per share (HK cents)			
Basic	11	**(9.21)**	(6.67)
Diluted	11	**(9.21)**	(6.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Trading rights		**–**	–
Property and equipment	12	**1,778**	3,563
Statutory deposits		**3,023**	2,988
Other intangible assets		**1,547**	1,547
Available-for-sale investment	13	**109**	259
Rental and utility deposits		**1,403**	2,432
		7,860	10,789
Current assets			
Accounts receivable	14	**314,080**	258,283
Prepayments, deposits and other receivables		**4,094**	3,658
Tax recoverable		**402**	2,165
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	15	**263,387**	321,018
		621,963	625,124
Current liabilities			
Accounts payable	16	**37,673**	19,365
Accrued liabilities and other payables		**12,006**	6,526
Taxation payable		**1,224**	114
Short-term bank borrowings	17	**40,000**	40,000
		90,903	66,005
Net current assets		**531,060**	559,119
Total assets less current liabilities		**538,920**	569,908
Capital and reserves			
Share capital	18	**40,592**	39,974
Reserves		**498,328**	528,755
Equity attributable to owners of the Company		**538,920**	568,729
Non-controlling interests		**–**	1,179
Total equity		**538,920**	569,908

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note 1)*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Share option reserve *HK$'000*	Other reserve *HK$'000* *(Note 2)*	Warrant reserve *HK$'000* *(Note 3)*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2011	39,974	427,064	123,758	(942)	(16,593)	14,637	202	–	588,100	1,542	589,642
Loss for the year	–	–	–	–	(26,660)	–	–	–	(26,660)	(584)	(27,244)
Other comprehensive income for the year	–	–	–	13	–	–	–	–	13	–	13
Total comprehensive income for the year	–	–	–	13	(26,660)	–	–	–	(26,647)	(584)	(27,231)
Difference arising on change in interest in a subsidiary	–	–	–	–	–	–	(221)	–	(221)	221	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	47	(47)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	3,813	–	–	3,813	–	3,813
Issue of warrants	–	–	–	–	–	–	–	3,995	3,995	–	3,995
Warrants issue expenses	–	–	–	–	–	–	–	(311)	(311)	–	(311)
At 31 December 2011	39,974	427,064	123,758	(929)	(43,206)	18,403	(19)	3,684	568,729	1,179	569,908
Loss for the year	–	–	–	–	(37,243)	–	–	–	(37,243)	(327)	(37,570)
Other comprehensive income for the year	–	–	–	(2)	–	–	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	(2)	(37,243)	–	–	–	(37,245)	(327)	(37,572)
Difference arising on change in interest in subsidiaries	–	–	–	–	–	–	(748)	–	(748)	(852)	(1,600)
Exercise of share options	618	4,418	–	–	–	–	–	–	5,036	–	5,036
Transfer of share option reserve upon exercise of share options	–	1,349	–	–	–	(1,349)	–	–	–	–	–
Reversal of share option reserve upon forfeiture/lapse of share options	–	–	–	–	12,112	(12,112)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	3,152	–	–	3,152	–	3,152
Shares issue expenses	–	(4)	–	–	–	–	–	–	(4)	–	(4)
Reversal of warrants reserve upon lapse of warrants	–	–	–	–	3,684	–	–	(3,684)	–	–	–
At 31 December 2012	40,592	432,827	123,758	(931)	(64,653)	8,094	(767)	–	538,920	–	538,920

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 Group's two indirect wholly owned subsidiaries, VC Capital Limited ("VC Capital") and VC Asset Management Limited ("VC Asset Management") by VC Financial Group Limited ("VC Financial Gp", a direct wholly owned subsidiary of the Company), at a cash 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 and VC Asset Management had been recognised in Other Reserve.

On 30 December 2011, VC Asset Management had issued 3,000,000 new shares of HK$1 each, which had been fully subscribed and paid by VC Financial Gp. As such, the Group's interest in VC Asset management had increased from 90.1% to 91.16%. The negative difference of approximately HK$221,000 arising on the change in such interest in VC Asset Management had been recognised in Other Reserve.

On 6 June 2012, VC Financial Gp had completed the acquisition of the remaining interests of 9.9% and 8.84% in VC Capital and VC Asset Management at a cash consideration of HK$1,000,000 and HK$600,000 respectively. The negative difference of approximately HK$744,000 and HK$4,000 between the purchase considerations and the amounts acquired from non-controlling interests of VC Capital and VC Asset Management had been recognised in Other Reserve.

(3) On 9 June 2011 and 8 July 2011, the Company entered into a placing agreement and a supplemental agreement with a placing agent respectively whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 79,900,000 warrants at an issue price of HK$0.05 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.27, which can be exercised at any time during a period of 12 months commencing from the date of issue of the warrants. The placing and issue of 79,900,000 warrants had been completed on 14 July 2011 and can be exercised until 13 July 2012. Amount received on the issue of warrants and issue expenses of approximately HK$3,995,000 and HK$311,000 respectively had been recognised in Warrant Reserve when the warrants were issued. These warrants expired on 13 July 2012. The amount previously recognised in Warrant Reserve had been transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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

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

In the current year, the Group has applied a number of amendments to the Hong Kong Financial Reporting Standards ("amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2012 financial year.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for amendments HKAS 1[2]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[3]
Amendments to HKAS 1	Presentation of items of other comprehensive income[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 19 (as revised 2011)	Employee benefits[2]
HKAS 27 (as revised 2011)	Separate financial statements[2]
HKAS 28 (as revised 2011)	Investments in associates and joint ventures[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

The Directors of the Company anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain accounts receivable and accounts payable.

HKFRS 9 is effective for annual period beginning on 1 January 2015, with earlier application permitted.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. REVENUE AND SEGMENT INFORMATION

Revenue principally arises 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.

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**35,580**	44,040
Underwriting, sub-underwriting, placing and sub-placing commission	**4,767**	5,857
Arrangement, management, advisory and other fee income	**5,294**	11,250
Interest income from clients	**19,531**	31,718
	65,172	92,865
Other income		
Interest income	**1,882**	597
Sundry income	**222**	11
	2,104	608
Total income	**67,276**	93,473

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 the provision of asset management services.

The following tables represent revenue and results information of these operating segments for the years ended 31 December 2012 and 2011.

Year ended 31 December 2012

	Brokerage	Corporate finance	Asset management	Segment total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**59,918**	**5,254**	**–**	**65,172**	**–**	**65,172**
Inter-segment sales	**–**	**20**	**–**	**20**	**(20)**	**–**
	59,918	**5,274**	**–**	**65,192**	**(20)**	**65,172**
Segment loss	**(7,520)**	**(11,358)**	**(563)**	**(19,441)**	**–**	**(19,441)**
Elimination of intra-group costs						**12,315**
Central administrative costs						**(29,078)**
Impairment loss on available-for-sale investment						**(150)**
Loss before taxation for the year						**(36,354)**

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
Amounts included in the measure of segment profit or loss:						
Interest income	**(1,644)**	**(37)**	**(54)**	**(1,735)**	**(147)**	**(1,882)**
Staff costs	**36,010**	**9,540**	**139**	**45,689**	**21,409**	**67,098**
Commission expenses	**4,287**	**–**	**–**	**4,287**	**–**	**4,287**
Depreciation of property and equipment	**848**	**186**	**5**	**1,039**	**537**	**1,576**
Impairment loss on doubtful receivables, net	**1,108**	**36**	**–**	**1,144**	**–**	**1,144**
Finance costs	**896**	**90**	**–**	**986**	**(90)**	**896**
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	**(12)**	**4**	**–**	**(8)**	**1,224**	**1,216**

Year ended 31 December 2011

	Brokerage *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	81,715	11,150	–	92,865	–	92,865
Inter-segment sales	–	20	–	20	(20)	–
	81,715	11,170	–	92,885	(20)	92,865
Segment profit (loss)	903	(6,903)	(1,611)	(7,611)	–	(7,611)
Elimination of intra-group costs						14,068
Central administrative costs						(32,910)
Impairment loss on available-for-sale investment						(241)
Loss before taxation for the year						(26,694)

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	(589)	(2)	(1)	(592)	(5)	(597)
Staff costs	43,221	10,778	1,101	55,100	25,366	80,466
Commission expenses	3,668	–	–	3,668	–	3,668
Depreciation of property and equipment	1,310	161	5	1,476	484	1,960
Impairment loss on doubtful receivables, net	4,800	389	–	5,189	–	5,189
Finance costs	2,303	89	–	2,392	(1,536)	856
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax expense	402	148	–	550	–	550

Note: Adjustments represent the central administrative costs, and those which are attributable to the three operating segments are allocated in form of management fee. Intra-group finance costs and management fee are included in the three operating segments and eliminated at consolidation. In addition, during the year ended 31 December 2012, the Group provided a tax expense of approximately HK$1,224,000 in respect of an intragroup transaction.

Segment profit or loss represents the profit earned by/loss from each segment, before the elimination of intra-group costs, central administrative costs and impairment loss on available-for-sale investment. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

In 2012 and 2011, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue from external customers are mainly derived from Hong Kong for both 2012 and 2011. Almost all of its non-current assets are attributed to the operations in Hong Kong.

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

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	HK$'000	*HK$'000*
Staff commission	**19,741**	24,263
Salaries and wages	**39,109**	39,324
Staff welfare	**1,904**	1,799
Recruitment costs	**3**	419
Termination benefits	**400**	74
(Reversal) provision of long service payment/annual leave benefits	**(135)**	82
Retirement benefits scheme contributions	**1,134**	1,173
Recognition of equity-settled share-based payment	**3,152**	3,813
Discretionary and performance related incentive payments	**1,790**	9,519
	67,098	80,466

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

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK$1,000 to HK$1,250 per employee per month.

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

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**896**	856

7. OTHER LOSSES

	2012	2011
	HK$'000	*HK$'000*
Impairment loss on doubtful receivables, net	**1,144**	5,189
Impairment loss on available-for-sale investment	**150**	241
Loss on disposal/write-off of property and equipment	**818**	33
Net exchange gain	**(28)**	(34)
	2,084	5,429

8. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Included in other operating expenses:		
Auditors' remuneration	**956**	956
Operating leases in respect of land and buildings	**8,463**	9,239

9. INCOME TAX EXPENSE

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

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	402
PRC Enterprise Income Tax *(Note)*	**1,224**	148
Overprovision in respect of prior year		
Hong Kong Profits Tax	**(12)**	–
PRC Enterprise Income Tax	**4**	–
	1,216	550

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2011. The People's Republic of China (the "PRC") subsidiary is subject to the PRC Enterprise Income Tax at 25% for both years.

Note: During the year ended 31 December 2012, tax expense of approximately HK$1,224,000 was provided by the PRC subsidiary as it was probable that the waiver of intercompany balance by another group entity will be subject to the PRC Enterprise Income Tax.

10. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31 December 2012 (2011: Nil).

11. 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:

	2012	2011
	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)	**(37,243)**	(26,660)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**404,331**	399,737

The diluted loss per share for 2012 is computed excluding the effects of share options as the exercise of the Company's share options are anti-dilutive. The diluted loss per share for 2011 is computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

12. PROPERTY AND EQUIPMENT

	2012	2011
	HK$'000	*HK$'000*
Carrying value, beginning of year	**3,563**	3,504
Additions	**659**	2,049
Depreciation	**(1,576)**	(1,960)
Written off/Disposal	**(865)**	(35)
Exchange difference	**(3)**	5
	1,778	3,563

13. AVAILABLE-FOR-SALE INVESTMENT

	HK$'000
Cost	
At 1 January 2011, 1 January 2012 and 31 December 2012	500
Accumulated impairment	
At 1 January 2011	–
Impairment loss recognised for the year	241
At 31 December 2011	241
Impairment loss recognised for the year	150
At 31 December 2012	391
Carrying value	
At 31 December 2012	109
At 31 December 2011	259
Analysed for reporting purpose as non-current assets	
At 31 December 2012	109
At 31 December 2011	259

The above unlisted investment represents investment in unlisted equity securities issued by a private entity incorporated in Hong Kong and its principal activity is investment holding in the PRC. They are measured at cost less impairment at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

14. ACCOUNTS RECEIVABLE

	2012	2011
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house and brokers *(Note a)*	**20,551**	17,960
Cash clients *(Note b)*	**25,358**	9,823
Margin clients *(Note c)*	**268,126**	230,036
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory services *(Note d)*	**45**	464
	314,080	258,283

The Group has established policies and procedures to assess the potential clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit worthiness. The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously.

The credit quality of accounts receivable are summarised as follows:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**308,137**	246,545
Past due but not impaired *(Note e)*	**3,103**	2,263
Impaired	**7,483**	14,939
	318,723	263,747
Less: Allowance for impairment *(Note f)*	**(4,643)**	(5,464)
	314,080	258,283

The management is satisfied with the credit quality of the accounts receivable that are neither past due nor impaired, and the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date. In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category as these accounts have no specific due date.

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**42,838**	25,722
31 – 90 days	**520**	563
Over 90 days	**2,551**	1,498
	45,909	27,783

Notes:

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

(b) As at 31 December 2012, accounts receivable due from cash clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$385,769,000 (2011: HK$299,456,000) in relation to the receivables of approximately HK$25,363,000 (2011: HK$9,822,000) that are not impaired; and a fair value of approximately HK$31,000 (2011: HK$74,000) in relation to the receivables of approximately HK$107,000 (2011: HK$147,000) that are impaired.

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

(c) As at 31 December 2012, accounts receivable due from margin clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$852,785,000 (2011: HK$593,685,000) in relation to the receivables of approximately HK$265,281,000 (2011: HK$220,562,000) that are not impaired. The fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts. Accounts receivable due from margin clients of approximately HK$7,340,000 (2011: HK$14,403,000) are impaired and are not secured by any pledged listed securities as at 31 December 2012 (2011: Fair value of the clients' pledged securities amounted to approximately HK$9,361,000).

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

(d) As at 31 December 2012, the receivables include an amount of approximately HK$36,000 (2011: HK$389,000) that is impaired and has been fully provided for impairment loss. The settlement terms of accounts receivable arising from the ordinary course of business of provision of corporate financial advisory services are due immediately from date of billing but the Group will grant a normal credit period of 30 days on average to its clients. The aging analysis of these receivables based on the invoice date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**45**	261
31 – 90 days	**–**	103
Over 90 days	**–**	100
	45	464

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

	2012	2011
	HK$'000	*HK$'000*
31 – 90 days	**520**	666
Over 90 days	**2,583**	1,597
	3,103	2,263

As at 31 December 2012, the receivables include cash clients' receivables of approximately HK$3,103,000 (2011: HK$2,060,000). No impairment loss has been provided as the fair values of the securities collateral held by the Group for these balances are generally over the relevant carrying amounts.

As at 31 December 2011, the remaining balance of accounts receivable of approximately HK$203,000 are receivables arising from the provision of corporate financial advisory services. The Group has not provided for any impairment loss as the clients are with good credit quality. The extent of delay of these repayments is considered normal in the corporate financial advisory industry.

(f) The Group has the policy for allowance for impairment, which is principally based on the evaluation of collectability and aging analysis of accounts, and also on the management's judgement from different aspects including the creditworthiness, collateral and the past collection history of each client.

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

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,464**	1,275
Impairment loss recognised, net	**1,144**	5,189
Amounts written off as uncollectible	**(1,965)**	(1,000)
Balance at end of the year	**4,643**	5,464

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.

15. 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 2.25% (2011: 0.001% to 2.25%) per annum with an original maturity of three months or less.

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited, VC Futures Limited and VC Capital 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 2012, the Group maintained segregated accounts at one clearing house of approximately HK$1,022,000 (2011: HK$3,260,000) and at other authorised institutions of approximately HK$265,106,000 (2011: HK$245,154,000) in conjunction with its securities, futures and options brokering and dealing business, and corporate financial advisory business as a result of the normal business transactions, which are not otherwise dealt with in the consolidated financial statements.

16. ACCOUNTS PAYABLE

	2012	2011
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note)*:		
Clearing house	**3,123**	–
Cash clients	**28,861**	17,302
Margin clients	**5,669**	2,046
Accounts payable arising from the ordinary course of business of provision of corporate financial advisory services	**20**	17
	37,673	19,365

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

17. SHORT-TERM BANK BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Secured	**40,000**	40,000

The short-term bank borrowings were secured by the pledged bank deposits and bore an interest rate at HIBOR plus 2% per annum as at 31 December 2012 and 31 December 2011.

18. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 31 December 2011 and 31 December 2012	10,000,000,000	1,000,000

	Issued and fully paid	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 1 January 2011 and 31 December 2011	399,736,829	39,974
Exercise of share options	6,188,000	618
At 31 December 2012	405,924,829	40,592

19. SHARE OPTIONS

During the year ended 31 December 2012, share options to subscribe for 5,000,000 and 5,000,000 underlying shares were granted on 6 June 2012 and 24 September 2012 respectively under the share option scheme adopted by the Company on 8 June 2009, which were fully vested at the grant date. The estimated fair value of the share options granted on these dates was approximately HK$3,152,000 which was calculated using the Binomial option pricing model in accordance with valuation reports prepared by an independent valuer. The inputs into the model were as follows:

	Share options granted on 6 June 2012	**Share options granted on 24 September 2012**
No. of share options granted	5,000,000	5,000,000
Market price per share at date of grant	HK$0.99	HK$1.10
Exercise price per share option	HK$1.04	HK$1.17
Expected volatility	74.13%	71.82%
Dividend yield	0%	0%
Risk free rate	0.27%	0.27%

Expected volatility for the share options granted on 6 June 2012 and 24 September 2012 was determined by using the historical volatility of the Company's share price over the previous 3 years. The risk free rate was determined with reference to the yield of 3 years Hong Kong Exchange Fund Note as at 6 June 2012 and 24 September 2012 respectively.

The Group recognised the total expenses of approximately HK$3,152,000 for the year ended 31 December 2012 in relation to these 10,000,000 share options (2011: HK$3,813,000).

20. ACQUISITION OF THE REMAINING INTERESTS IN SUBSIDIARIES

On 6 June 2012, VC Financial Gp acquired the remaining equity interests of 9.9% and 8.84% in VC Capital and VC Asset Management at a cash consideration of HK$1,000,000 and HK$600,000 respectively. The negative differences of approximately HK$744,000 and HK$4,000 between the purchase considerations and the amounts acquired from non-controlling interests of VC Capital and VC Asset Management of approximately HK$256,000 and HK$596,000 respectively had been recognised in Other Reserve.

21. FINANCIAL GUARANTEE

As at 31 December 2012, the Company had given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK$130 million (2011: HK$130 million). As at 31 December 2012, HK$40 million banking facilities was utilised by VC Brokerage Limited (2011: HK$40 million). The fair value of the financial guarantee contracts is immaterial.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to promoting and maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has applied the principles and complied with all code provisions as set out in the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "CG Code") for the period from 1 April 2012 to 31 December 2012, which were contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the 2012 annual general meeting of the Company held on 24 May 2012 (the "2012 AGM"), the office of the Chairman of the Board has been vacant. The Company is now in the process of identifying the suitable candidate to fill the vacancy of the Chairman. Mr. Ha Shu Tong, Chief Executive Officer of the Company, would take up the roles and functions of the Chairman until the new Chairman is on Board.

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

Under the code provision A.6.7 of the CG Code, non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One Non-executive Director (Ms. Wang Ying, resigned on 28 December 2012) and two Independent Non-executive Directors (Mr. Lam Ka Wai, Graham, retired on 2012 AGM and Mr. Lam Kwok Hing, Wilfred) of the Company were absent from the 2012 AGM due to the overseas commitments/other business engagement.

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

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

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial positions, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2012 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 the 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, comprising three Independent Non-executive Directors of the Company, has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's audited consolidated financial statements and results for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group. The Audit Committee is satisfied that the audited consolidated financial statements have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2013 will be held on 30 May 2013. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2012 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 the Stock Exchange's website at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's 2012 Annual Report will be available at the same websites and will be dispatched to the Company's shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six Executive Directors, namely, Mr. Ha Shu Tong (Chief Executive Officer), Mr. Chau King Fai, Mr. Cheng Tze Kit, Larry (Chief Investment Officer), Ms. So Wai Yee, Betty (Chief Financial Officer), Mr. Zhou Wentao and Mr. Tin Ka Pak, Timmy; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Ip Chun Chung, Robert and Mr. Wong Chung Kin, Quentin.

By Order of the Board of
Value Convergence Holdings Limited
Ha Shu Tong
Chief Executive Officer and Executive Director

Hong Kong, 21 March 2013