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 2013

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 2013, together with the audited comparative figures of the corresponding period in 2012.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue for the year ended 31 December 2013 amounted to approximately HK$74.4 million, which had increased by about 14% as compared with the same period in 2012.

The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$40.7 million for the year ended 31 December 2013 against a consolidated loss of approximately HK$37.2 million for the same period in 2012. Excluding the recognition of the fair value changes of approximately HK$19.7 million in relation to the 80,000,000 non-listed warrants issued by the Company in August 2013 and the investment of HK$20,000,000 in a non-listed convertible bond completed in July 2013, the major non-recurring and non-operating nature item, the Group generated a consolidated operating loss of approximately HK$21 million for the year ended 31 December 2013.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Year 2013 was another year of mixed challenges and uncertainties. The operating environment for Hong Kong's financial industry was characterized by a sluggish global economy, stringent regulatory requirements and considerable uncertainty in the Mainland China's financial market. Nevertheless, I am pleased to report another year of progress for the Group in which the Group had generated improved consolidated revenue and maintained a stable cost structure. Underpinning this were three main factors: excellent customer service by our business units; continued like-for-like revenue growth trends; and our ongoing focus on operational efficiency. We have achieved this against a tough economic environment and I am immensely proud of the hard work and commitment to achieve these goals shown by my colleagues around the Group.

Moreover, I believe that solid financial capability and a pragmatic operating strategy are crucial to such balanced growth. With the concerted efforts of our executive team, the Group has made progress in refocusing itself through top-down resource allocation to those businesses where can create market leading positions. Our objective is to improve and expand our market leading businesses through execution of bottom-up business unit strategies to excel our competitors in terms of growth of businesses. In particular, the Group has adhered to a professional attitude in delivering financial services and products favorably to customers. This has been well reflected in our financial results in recent years despite of the continuous global and local economy downturn.

Although the nature of our financial business makes it particularly sensitive to changes in economic conditions and investors' sentiments, our fundamental strategy is unchanged and our core focus remains on sticking to our core businesses including securities, futures and options brokering, and corporate finance services; capitalizing on the significant growth opportunities and thereon delivering shareholder value from our strength. Along with these, the Group was benefited from the expansion of money lending business by devoting more resources from mid of last year. The increased financial flexibility offered to our clients ultimately improved our customer services and promoted the continued loyalty. In 2013, the Group recorded an increase in consolidated revenue of about 14% as compared to last year and incurred loss from operation excluding the fair value changes on some financial instruments to the tune of approximately HK$21 million as compared to approximately HK$37.2 million last year.

Apart from the above, the Group always seeks opportunity to leverage its expertise in financial services industry and expand its business in the PRC markets. In November 2013, the Company announced to acquire new lines of businesses including the provision of management consultancy services for small loans companies and provision of currency exchange services and other related services in the PRC. These potential acquisitions allow the Group to expand its geographical coverage in the PRC and also complement our existing business. I believe that these potential investments will pay off and the synergy will eventually reflect on the sales growth and the Group's financial performance and cash flow in future.

Looking ahead, Year 2014 is likely to remain challenging for the global economy in light of the fragile fiscal position in Europe and the US while the major economies will stay sluggish. In addition, various adverse signs are pointing to a slowing down economy across the Mainland China, which in turn may pose a significant impact on our core businesses. Our countering strategies will include strengthening our quality services with a view to boarding our revenue base and capturing the emerging new markets.

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

Tin Ka Pak, Timmy
Chief Executive Officer and Executive Director

Hong Kong
25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Following the financial tsunami erupted in late 2008, the world's major financial markets have been facing different levels of uncertainties. Starting from the fourth quarter of 2012, with certain quantitative easing measures launched globally, there was a steady inflow of hot money into the markets of the Asian-Pacific region, which led to a positive impact to the growth of new listings and public offering activities as well as the merger and acquisition transactions. This had helped to improve and stabilize the global investment atmosphere for a while, however, the global economy still lacked growth momentum to sustain recovery.

In the second quarter of 2013, the global capital market continued to be sluggish and even suffered some setbacks, especially when Ben Bernanke, Chairman of the United States Federal Reserve, announced in June that the Federal Reserve had plans to taper down the quantitative easing measures commencing later the year. This resulted in significant waves in most Asian stock markets, making them to become highly volatile again. Though the Federal Reserve subsequently reaffirmed its commitment about maintaining an accommodative monetary policy, the investors remained cautious about the implications of the tapering plan towards the global economy in the second half of 2013.

As an international financial center, Hong Kong was inevitably affected by different challenges and uncertainties under the murky macro environment. The local stock market in 2013 was still volatile, and the gloomy market sentiment was manifested by the sluggishness in the Hong Kong daily trading turnover, market capitalization and other various market indices. Starting from the fourth quarter of 2012, there had been a steady inflow of hot money into the Hong Kong market. New listings and public offerings boosted and market responses were overwhelming with a number of oversubscribed initial public offerings. This, along with growing news about mergers and acquisitions, enabled the Hang Seng Index (the "HSI") to reach a 16-month high of 22,656 when the market closed at the end of December 2012 and further reaching a peak of 23,822 on 30 January 2013. This growth momentum had continued in the first quarter of 2013.

However, in the second quarter of 2013, the market had once gone downhill in the face of flagging global financial conditions as aforementioned and the HSI had even tumbled to the lowest of 19,813 on 24 June 2013. Fortunately, the local stock market picked up gradually in the second half of 2013 and the HSI had once reached a record of 24,038 on 2 December 2013. As at 31 December 2013, the HSI closed at 23,306, which was about 3% higher as compared with 22,656 as at 31 December 2012. The market volatility throughout the year indicated that the market sentiment was still easily suppressed by uncertainties.

The above review was echoed by the local stock market's average daily trading turnover and the market capitalization. The average daily trading turnover had increased significantly by about 16% to approximately HK$62.6 billion for 2013 as compared to approximately HK$53.9 billion in previous year. This was mainly attributed to the strong boom in the first quarter of 2013, in which the average daily trading turnover was approximately HK$74.4 billion. The average daily trading turnover in the remaining quarters of 2013 had dropped but was still higher than that throughout 2012. Further, the total market capitalization had also increased by about 10% from approximately HK$21,950 billion as at 31 December 2012 to approximately HK$24,043 billion as at 31 December 2013.

This was also reflected in the total fund raising in Hong Kong (including initial public offerings) of approximately HK$374.3 billion in 2013, an increase of about 23% as compared with approximately HK$305.4 billion in 2012, in which the fund raising from the initial public offerings was approximately HK$166.5 billion in 2013, a sharp increase of about 85% as compared with approximately HK$90 billion in 2012. This revealed that there were more listings and public offering completed in the Hong Kong stock market.

Being a financial services provider, our business performance in 2013 was definitely affected by both the global and local economic and market conditions. Fortunately, our sound balance sheet, together with the premium investment and wealth management products and services, enabled us to possess clear competitive advantages against our peers. We believe that those are critical elements to enhance our shareholders' value. The Group will endeavor to strive for better performance and prepare ourselves to capture any precious business development opportunities that may arise.

For details of the financial results analysis of the Group for the year ended 31 December 2013 please refer to the section "Financial Review" below.

Outlook

Looking ahead, the Group expects 2014 will still be challenging for the financial sector. The global economic conditions are expected to stay volatile, which will continue to cast a gloom over investment market to different extents unless those situations are resolved and handled properly. Moreover, the sustainability of China's economic growth in the current year has raised some concerns to the global economy.

Considering the close economic ties between Hong Kong and the Mainland, the Hong Kong investment market would still head towards brighter prospects with the support from the Mainland market. Hopefully, it will create a more conducive business environment for the Group's brokerage and corporate finance 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.

Long-Term Business Strategy

The Group's core businesses remain competitive with a focus 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.

Throughout 2013, the Group did not make any significant changes to its business strategy. Amid market volatility, the Group was able to maintain its competitive edge due to a number of factors: excellent reputation established over the years, an extensive business network with supportive business partners, quality and diversified 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 greater business returns for investors and shareholders. From June 2013, the Group had expanded its money lending business so as to broaden its revenue base. In November 2013, the Group proposed to acquire the new lines of businesses including the provision of management consultancy services for small loans companies and provision of currency exchange services and other related services in the PRC. It is expected that both can further strengthen the financial position of the Group as well as increase the presence of the Group in the PRC market.

Financial Review

Under the sluggish investment sentiment and investment climate as aforementioned, the Group's consolidated revenue was approximately HK$74.4 million for the year ended 31 December 2013, which had increased by about 14% as compared with the same period in 2012. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$40.7 million for the year ended 31 December 2013 against a consolidated loss of approximately HK$37.2 million for the same period in 2012. Excluding the recognition of the fair value changes of approximately HK$19.7 million in relation to the 80,000,000 non-listed warrants placed and issued by the Company in August 2013 and the investment of HK$20,000,000 in a non-listed convertible bond completed in July 2013, the major non-recurring and non-operating nature item, the Group generated a consolidated operating loss of approximately HK$21 million for the year ended 31 December 2013.

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	
	2013	2012
	HK$'000	*HK$'000*
Segmental results:		
Brokerage and Financing	**(2,999)**	(7,520)
Corporate Finance	**(7,402)**	(11,358)
Asset Management	**(1,407)**	(563)
Group segment loss	**(11,808)**	(19,441)
Unallocated costs, net	**(10,387)**	(16,763)
Impairment loss on available-for-sale investment	**(109)**	(150)
Fair value change on derivative financial asset	**(1,663)**	–
Fair value change on financial liability at fair value through profit or loss	**(18,023)**	–
Loss before taxation	**(41,990)**	(36,354)
Income tax credit (expense)	**1,249**	(1,216)
Loss for the year	**(40,741)**	(37,570)
Non-controlling interests	**–**	327
Loss for the year attributable to shareholders of the Company	**(40,741)**	(37,243)

Brokerage and Financing

For the year ended 31 December 2013, the Group provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services through VC Brokerage Limited and VC Futures Limited (both are the indirect wholly owned subsidiaries of the Company), and money lending services through VC Finance Limited (also the indirect wholly owned subsidiary of the Company), which recorded revenue of approximately HK$70.1 million as compared to approximately HK$59.9 million for the same period last year, representing an increase of about 17%. Among the various revenue streams generated from the brokerage and financing businesses, both the brokerage commission income and interest income from financing had increased significantly during the year ended 31 December 2013 as compared to the same period last year.

For the year ended 31 December 2013, the Group's brokerage commission and other related fee from dealing in securities and futures and options contracts had increased to approximately HK$40.5 million from approximately HK$35.6 million for the same period last year, representing an increase of about 14%, which reflected that the Group's brokerage business kept growing at the same pace, although to a lesser extent, with the Hong Kong stock market as mentioned in the section "Business Review" above.

For the year ended 31 December 2013, the Group's interest income from financing had increased to approximately HK$24.7 million from approximately HK$19.5 million for the same period last year, representing an increase of about 27%. Among these, the Group's interest income from our brokerage clients remained stable, in which an amount of approximately HK$20.2 million was recorded for the year ended 31 December 2013, which was slightly higher than that of the same period last year. Our average loan portfolio to our brokerage clients was approximately HK$245.6 million during the year ended 31 December 2013, which was closely same as that of the same period last year. Indeed, the increase in the Group's interest income in 2013 was mainly attributable to the interest income generated from the provision of money lending services to our new clients, in which an amount of approximately HK$4.5 million was recorded for the year ended 31 December 2013. By end of the first half of 2013, the Group started to devote more resources into the provision of financing services which included the expansion of our money lending business. This helps broaden our revenue base by taking the advantage of the huge growth potential from the loan market and also offering our clients with more financial flexibility to meet their personal and business needs.

Nevertheless, in view of the uncertain market conditions, the Group had continued to strengthen our credit control policies and procedures, same as the past few years, including the review of our clients' creditworthiness and credit limits, so as to minimize our credit risk exposure. For the year ended 31 December 2013, the Group had made an impairment write-back of approximately HK$2 million (2012: additional impairment of HK$1.1 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. Such significant impairment write-back in the current year was resulted from the recovery of some irrecoverable debts recognised in previous years.

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 2013, the Group's placing and underwriting commission generated had slightly increased to approximately HK$5 million (2012: HK$4.8 million). There was a strong performance in the second half of 2013, in which almost all of the revenue was recorded in that period. The Group will continue to put efforts to capture the opportunities towards initial public offerings and other fund raising exercises in Hong Kong once the market sentiments improved constantly.

Overall, the operating performance of the brokerage and financing businesses for the year ended 31 December 2013 was much better than that of last year. For the year ended 31 December 2013, the operating loss before and after tax generated from the brokerage and financing businesses was approximately HK$3 million (2012: HK$7.5 million).

Corporate Finance

During the year ended 31 December 2013, VC Capital Limited, 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 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 2013, the Group's corporate financial advisory and related services recorded a revenue totaling approximately HK$4.4 million (2012: HK$5.3 million), and generated an operating loss before and after tax of approximately HK$7.4 million (2012: HK$11.4 million). The reduction in operating loss in the current year was mainly attributable to the close down of the Shenzhen office in July 2012, which had incurred operational costs of approximately HK$4.6 million for the year ended 31 December 2012. As mentioned in the section "Business Review" above, though there were more companies to complete their new listings and other public offerings plans and even some merger and acquisition transactions in the Hong Kong stock market, it still takes time for the Group to capture the growing business opportunities from the more favourable and stable 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 2013, the Group's asset management business, through VC Asset Management Limited (the indirect wholly owned subsidiary of the Company), recorded an operating loss before and after tax of approximately HK$1.4 million (2012: HK$0.6 million) which mainly comprising the general operating expenses incurred for such business.

Fair value change on derivative financial asset

On 3 July 2013, the Company had subscribed a non-listed Hong Kong dollar denominated convertible bond in a principal amount of HK$20,000,000 issued by a company listed on the Stock Exchange, which will be matured on the second anniversary of the issue date of the convertible bond (the "Convertible Bond"). Interest of 8% per annum is payable annually until the Convertible Bond is converted. The Company is entitled to convert the Convertible Bond to ordinary shares at a conversion price of HK$0.79 each at any time from the day immediately following three months after the issue date up to the maturity date.

The Convertible Bond was split into two components, including (i) convertible bond receivable, which was carried at amortised cost, and (ii) derivative financial asset, which was measured at fair value, in the consolidated financial statements. As at 31 December 2013, the carrying amounts of the convertible bond receivable and the derivative financial asset were approximately HK$16.7 million and HK$2.6 million respectively in accordance with a valuation report prepared by an independent professional valuer as at 31 December 2013. As such, the Group had recognised a decrease in fair value on the derivative financial asset of approximately HK$1.7 million for the year ended 31 December 2013. Details had been given in Notes 13 and 14 to the consolidated financial statements respectively.

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

On 15 May 2013, the Company entered into a placing agreement with a placing agent whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 80,000,000 non-listed warrants (the "Warrant(s)") at an issue price of HK$0.02 per Warrant. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20, which can be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. The placing and issue of 80,000,000 Warrants had been completed on 2 August 2013 and these Warrants can be exercised until 1 August 2015. The net proceeds from the placing and issue of the Warrants was approximately HK$1.5 million. The maximum net proceeds from the exercise of the subscription rights attaching to the Warrants will be approximately HK$96 million. The Company intends to use these net proceeds for general working capital of the Group and/or possible investment in the future when opportunities arise. Details were set out in the Company's announcements dated 15 May 2013 and 2 August 2013.

These Warrants were classified as financial liability at fair value through profit or loss and were measured at fair value. As at 31 December 2013, the carrying amount of these Warrants was approximately HK$19.6 million in accordance with a valuation report prepared by an independent professional valuer as at 31 December 2013. As such, the Group had recognised an increase in fair value on the Warrants of approximately HK$18 million for the year ended 31 December 2013. Details had been given in Note 19 to the consolidated financial statements

Unallocated costs, net

For the year ended 31 December 2013, the net unallocated costs of the Group was approximately HK$10.4 million as compared to approximately HK$16.8 million for the same period in 2012, 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 2013, the finance costs of the Group was approximately HK$0.9 million (2012: HK$0.9 million), in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage and financing businesses.

Income tax credit/expense

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax had been made during the year ended 31 December 2013 as there was no assessable profit (2012: a tax provision of approximately HK$1.2 million for the PRC Enterprise Income Tax). In the current year, the tax provision of HK$1.2 million for the PRC Enterprise Income Tax was reversed, which was provided by the Group's PRC subsidiary in previous year in relation to the waiver of intercompany balance by another group entity, and had been confirmed to be not taxable.

Liquidity and financial resources/capital structure

For the year ended 31 December 2013, the Group finances its business operations and investments with internal resources, cash revenues generated from operating activities and short-term bank loans.

The Group adopts a prudent treasury policy and intends to maintain minimum exposure to foreign exchange risks. As at 31 December 2013, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts.

The Group held banking facilities of HK$130 million granted from a bank to VC Brokerage Limited as at 31 December 2013 (2012: HK$130 million), in which HK$80 million (2012: 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 (2012: HK$40 million), and the other HK$50 million (2012: HK$50 million) was short-term money market loan for margin financing business and was required to be secured by VC Brokerage Limited's margin clients' listed securities when utilised. As at 31 December 2013, the Group had not utilised any of the above banking facilities (2012: general short-term money market loan of HK$40 million), which bore an interest rate at HIBOR plus 2% per annum, by pledge of bank deposits of HK$40 million (2012: HK$40 million).

As at 31 December 2013, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$471.6 million (2012: HK$531.1 million), HK$152.9 million (2012: HK$263.4 million) and HK$503.4 million (2012: HK$538.9 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of 6.4 as at 31 December 2013 (2012: 6.8).

As at 31 December 2013, the total number of issued ordinary shares of the Company was 411,806,829 at HK$0.10 each (2012: 405,924,829 shares of HK$0.10 each). The increase of 5,882,000 shares during the year ended 31 December 2013 was due to the exercise of share options by the Directors of the Company and the employees of the Group.

As aforementioned, the Company had placed and issued 80,000,000 Warrants and these Warrants can be exercised until 1 August 2015. Upon full exercise of the subscription rights attaching to the Warrants, the Company will issue 80,000,000 subscription shares, representing (i) approximately 19.43% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.27% of the issued share capital of the Company as enlarged by the issue and allotment of the subscription shares upon the full exercise of the subscription rights attaching to the Warrants.

Charge on group assets

As aforementioned, the Group had made a HK$40 million charge over its bank deposits to a bank (2012: HK$40 million) for securing banking facilities of HK$80 million granted to VC Brokerage Limited in general short-term money market loan and current account overdraft as at 31 December 2013 (2012: HK$80 million).

Gearing ratio

As at 31 December 2013, the Group's gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders' equity, was zero (2012: 0.074 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 2013, 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 2013, the Group had employed a total of 95 employees (31 December 2012: 101), of whom all are located in Hong Kong.

Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$43.6 million and HK$21.9 million respectively for the year ended 31 December 2013 (2012: HK$47.4 million and HK$19.7 million respectively). The staff costs included equity-settled share-based payments of approximately HK$3.2 million for the year ended 31 December 2012 (2013: Nil). Details had been given in Note 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 2013, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except the Convertible Bond as aforementioned. Details are given in Notes 13 and 14 to the consolidated financial statements.

Future plans for material investments or capital assets

On 22 November 2013, subsequent to the signing of a non-legally binding memorandum of understanding with Wide Esteem Limited on 26 July 2013, the Company through its wholly owned subsidiary, VC Financial Group (China) Limited, entered into (i) an agreement with Wide Esteem Limited to acquire the entire equity interest in Orient Xin Dai Management Co., Ltd ("Orient Xin") at a consideration of HK$260 million to be settled by way of cash of HK$100 million and issue of the share of the Company at an issue price of HK$1 per share for HK$160 million; and (ii) an agreement with Central Sino Holdings Limited to acquire the entire equity interest in High Trade International Limited ("High Trade") at a consideration of HK$210 million to be settled by way of cash of HK$100 million and issue of convertible note in the principal amount of HK$110 million, which may be converted into 110,000,000 shares of the Company at a conversion price of HK$1 each. Orient Xin and its subsidiaries are principally engaged in the provision of management consultancy services for small loans companies in the PRC. High Trade and its subsidiaries are principally engaged in the provision of currency exchange services and other related services in the PRC.

Meanwhile, on 22 November 2013, the Company entered into a placing agreement with VC Brokerage Limited as its placing agent to procure (i) not less than six placees to subscribe up to 300,000,000 shares of the Company at a price of HK$1 each; and/or (ii) not less than six placees to subscribe for the convertible note of the Company in an aggregate principal amount of up to HK$300 million and may be converted into up to 300,000,000 shares of the Company at a conversion price of HK$1 each. The placing period commenced from 24 November 2013 and will be expired on 31 March 2014. The Company intends to use the proceed to finance the above acquisitions, the working capital and future business expansion of the acquired businesses as well as the general working capital of the Group. Details were set out in the Company's announcements dated 26 July 2013, 24 November 2013, 13 December 2013 and 28 February 2014.

Other than aforementioned, as at 31 December 2013, the Group had no other known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate.

As at 31 December 2013, the Group did not have any significant contracted but not provided for in respect of purchase of property and equipment in the consolidated financial statements (2012: Nil).

Contingent liabilities

As at 31 December 2013, the Company had given financial guarantees of HK$130 million (2012: HK$130 million) to a bank in respect of banking facilities of HK$130 million provided to VC Brokerage Limited as mentioned in the section "Liquidity and financial resources/capital structure" above. As at 31 December 2013, there was no banking facilities utilised by VC Brokerage Limited (2012: HK$40 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** *HK$'000*	2012 *HK$'000*
Revenue	4	**74,382**	65,172
Other income	4	**2,750**	2,104
Staff costs	5	**(65,469)**	(67,098)
Commission expenses		**(4,605)**	(4,287)
Depreciation of property and equipment	12	**(1,326)**	(1,576)
Finance costs	6	**(921)**	(896)
Other operating expenses		**(28,736)**	(27,689)
Other gains and losses	7	**(18,065)**	(2,084)
Loss before taxation		**(41,990)**	(36,354)
Income tax credit (expense)	9	**1,249**	(1,216)
Loss for the year	8	**(40,741)**	(37,570)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(24)**	(2)
Total comprehensive income for the year		**(40,765)**	(37,572)
Loss for the year attributable to:			
Owners of the Company		**(40,741)**	(37,243)
Non-controlling interests		**–**	(327)
		(40,741)	(37,570)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(40,765)**	(37,245)
Non-controlling interests		**–**	(327)
		(40,765)	(37,572)
Loss per share (HK cents)			
Basic	11	**(9.98)**	(9.21)
Diluted	11	**(9.98)**	(9.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Trading rights		**–**	–
Property and equipment	12	**4,028**	1,778
Statutory deposits		**4,651**	3,023
Other intangible assets		**1,246**	1,547
Available-for-sale investment		**–**	109
Convertible bond receivable	13	**16,717**	–
Derivative financial asset	14	**2,570**	–
Rental and utility deposits		**2,564**	1,403
		31,776	7,860
Current assets			
Accounts receivable	15	**361,582**	314,080
Prepayments, deposits and other receivables		**4,167**	4,094
Tax recoverable		**–**	402
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	16	**152,898**	263,387
		558,647	621,963
Current liabilities			
Accounts payable	17	**56,908**	37,673
Accrued liabilities and other payables		**10,538**	12,006
Taxation payable		**–**	1,224
Short-term bank borrowings	18	**–**	40,000
Financial liability at fair value through profit or loss	19	**19,623**	–
		87,069	90,903
Net current assets		**471,578**	531,060
Total assets less current liabilities		**503,354**	538,920
Capital and reserves			
Share capital	20	**41,181**	40,592
Reserves		**462,173**	498,328
Total equity		**503,354**	538,920

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 2012	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
Loss for the year	–	–	–	–	(40,741)	–	–	–	(40,741)	–	(40,741)
Other comprehensive income for the year	–	–	–	(24)	–	–	–	–	(24)	–	(24)
Total comprehensive income for the year	–	–	–	(24)	(40,741)	–	–	–	(40,765)	–	(40,765)
Exercise of share options	589	4,610	–	–	–	–	–	–	5,199	–	5,199
Transfer of share option reserve upon exercise of share options	–	1,418	–	–	–	(1,418)	–	–	–	–	–
Reversal of share option reserve upon forfeiture/lapse of share options	–	–	–	–	3,704	(3,704)	–	–	–	–	–
At 31 December 2013	41,181	438,855	123,758	(955)	(101,690)	2,972	(767)	–	503,354	–	503,354

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) On 6 June 2012, VC Financial Group Limited, the Company's direct wholly owned subsidiary, had completed the acquisition of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited 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 Limited and VC Asset Management Limited had been recognised in Other Reserve.

(3) The placing and issue of 79,900,000 warrants at an issue price of HK$0.05 per warrant was completed on 14 July 2011 and had been expired on 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 and had been transferred to accumulated losses when it was expired.

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 new and revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2013 financial year.

Except as described below, the application of the new and revised 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 applied the amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements.

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 2010-2012 and 2011-2013 cycles[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 14	Regulatory deferral accounts[4]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognitions, and further amended in 2013 to include the new requirements for the hedge accounting.

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 except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue principally arises from the financial services business comprising securities, futures and options brokering and dealing, provision of margin financing and money lending services, provision of placing and underwriting services, provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services.

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Brokerage commission and other related fee from dealing in securities and futures and options contracts	**40,463**	35,580
Underwriting, sub-underwriting, placing and sub-placing commission	**4,997**	4,767
Arrangement, management, advisory and other fee income	**4,261**	5,294
Interest income from clients	**24,661**	19,531
	74,382	65,172
Other income		
Interest income from authorised institutions	**901**	1,882
Interest income from convertible bond receivable	**1,748**	–
Sundry income	**101**	222
	2,750	2,104
Total income	**77,132**	67,276

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

(i) the brokerage and financing segment engages in securities, futures and options brokering and dealing, provision of margin financing and money lending, and placing and underwriting services;

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

(iii) the asset management segment engages in the provision of asset management services.

The following tables represent revenue and results information of these operating segments for the years ended 31 December 2013 and 2012.

Year ended 31 December 2013

	Brokerage and financing *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	**70,121**	**4,261**	**–**	**74,382**	**–**	**74,382**
Inter-segment sales	**15**	**100**	**–**	**115**	**(115)**	**–**
	70,136	**4,361**	**–**	**74,497**	**(115)**	**74,382**
Segment loss	**(2,999)**	**(7,402)**	**(1,407)**	**(11,808)**	**–**	**(11,808)**
Elimination of intra-group costs						**17,043**
Central administrative costs						**(27,430)**
Impairment loss on available-for-sale investment						**(109)**
Fair value change on derivative financial asset						**(1,663)**
Fair value change on financial liability at fair value through profit or loss						**(18,023)**
Loss before taxation for the year						**(41,990)**

Other segment information

	Brokerage and financing *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Adjustments *HK$'000* *(Note)*	Total *HK$'000*
Amounts included in the measure of segment profit or loss:						
Interest income	**(797)**	**(43)**	**(34)**	**(874)**	**(1,775)**	**(2,649)**
Staff costs	**38,001**	**7,233**	**1,053**	**46,287**	**19,182**	**65,469**
Commission expenses	**4,665**	**–**	**–**	**4,665**	**(60)**	**4,605**
Depreciation of property and equipment	**776**	**8**	**3**	**787**	**539**	**1,326**
Reversal of impairment loss on doubtful receivables, net	**(2,016)**	**–**	**–**	**(2,016)**	**–**	**(2,016)**
Loss on disposal of other intangible assets	**301**	**–**	**–**	**301**	**–**	**301**
Finance costs	**2,674**	**90**	**–**	**2,764**	**(1,843)**	**921**
Amounts regularly provided to the Group's Executive Committee but not included in the measure of segment profit or loss:						
Income tax credit	**–**	**–**	**–**	**–**	**(1,249)**	**(1,249)**

Year ended 31 December 2012

	Brokerage and financing *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue	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 and financing *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Segment total *HK$'000*	Adjustments *HK$'000* *(Note)*	Total *HK$'000*
Amounts included in the measure of segment profit or loss:						
Interest income	(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 (credit) expense	(12)	4	–	(8)	1,224	1,216

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 made a tax expense of approximately HK$1,224,000 in respect of an intra-group transaction. Such tax provision was reversed during the year ended 31 December 2013.

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

In 2013 and 2012, 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 2013 and 2012. 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)

	2013	2012
	HK$'000	*HK$'000*
Staff commission	**21,896**	19,741
Salaries and wages	**37,040**	39,109
Staff welfare	**1,448**	1,904
Recruitment costs	**32**	3
Termination benefits	**532**	400
Provision (reversal) of long service payment/annual leave benefits	**80**	(135)
Retirement benefits scheme contributions	**1,149**	1,134
Recognition of equity-settled share-based payment	**–**	3,152
Discretionary and performance related incentive payments	**3,292**	1,790
	65,469	67,098

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. The contribution amount is capped at 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

	2013	2012
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**921**	896

7. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
(Reversal) recognition of impairment loss on doubtful receivables, net	**(2,016)**	1,144
Impairment loss on available-for-sale investment	**109**	150
Fair value change on derivative financial asset *(Note 14)*	**1,663**	–
Fair value change on financial liability at fair value through profit or loss *(Note 19)*	**18,023**	–
Loss on disposal/write-off of property and equipment	**16**	818
Loss on disposal of other intangible assets	**301**	–
Net exchange gain	**(31)**	(28)
	18,065	2,084

8. LOSS FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Included in other operating expenses:		
Auditors' remuneration	**1,006**	956
Operating leases in respect of land and buildings	**8,961**	8,463

9. INCOME TAX CREDIT/EXPENSE

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

	2013	2012
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax *(Note)*	**–**	1,224
(Over)under provision in respect of prior year		
Hong Kong Profits Tax	**–**	(12)
PRC Enterprise Income Tax *(Note)*	**(1,249)**	4
	(1,249)	1,216

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years. The People's Republic of China (the "PRC") subsidiary is subject to the PRC Enterprise Income Tax at 25% for 2012.

Note: During the year ended 31 December 2012, tax expense of approximately HK$1,224,000 was provided by the PRC subsidiary in respect of an intercompany balance waived by another group entity. Such tax provision was reversed during the year ended 31 December 2013 as it was concluded that the waived intercompany balance was not taxable under 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 2013 (2012: 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:

	2013	2012
	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)	**(40,741)**	(37,243)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**408,327**	404,331

The diluted loss per share for 2013 and 2012 are 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

	2013	2012
	HK$'000	*HK$'000*
Carrying value, beginning of year	**1,778**	3,563
Additions	**3,594**	659
Depreciation	**(1,326)**	(1,576)
Written off/Disposal	**(18)**	(865)
Exchange difference	**–**	(3)
Carrying value, end of year	**4,028**	1,778

13. CONVERTIBLE BOND RECEIVABLE

On 3 July 2013, the Company had subscribed a non-listed Hong Kong dollar denominated convertible bond of a principal amount of HK$20,000,000 issued by a company listed on the Stock Exchange. The convertible bond carries an interest at 8% per annum and will mature in July 2015. The convertible bond is convertible into ordinary shares of the issuer at a conversion price of HK$0.79 per share at any time from the day immediately following three months after the issue date up to the maturity date.

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

	2013	2012
	HK$'000	*HK$'000*
Loan portion		
Carrying amount at end of the year	**16,717**	–

14. DERIVATIVE FINANCIAL ASSET

The convertible bond as disclosed in the Note 13 includes embedded equity conversion option. The embedded derivative is separated from the convertible bond and accounted for as derivative financial asset in the consolidated statement of financial position. The derivative financial asset is measured at fair value with changes in fair value recognised in profit or loss.

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

	3 July 2013	**31 December 2013**
Spot price of the underlying share	HK$0.64	HK$0.61
Conversion price	HK$0.79	HK$0.79
Risk free rate	0.347%	0.263%
Expected volatility	53.88%	48.68%

Risk free rate was determined with reference to the yield of 2 years and 1.51 years Hong Kong Exchange Fund Notes as at the valuation dates of 3 July 2013 and 31 December 2013 respectively. Expected volatility was determined by reference to the historical volatility of the share price of the comparable companies over the previous 2 years and 1.51 years respectively.

The movement of the fair value of the embedded derivative for the year is as below:

	HK$'000
Balance at date of subscription	4,233
Fair value change recognised in profit or loss	(1,663)
Balance at 31 December 2013	2,570

15. ACCOUNTS RECEIVABLE

	2013	2012
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in securities transactions:		
Clearing house and brokers *(Note a)*	**5,392**	20,551
Cash clients *(Note b)*	**61,547**	25,358
Margin clients *(Note c)*	**233,550**	268,126
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory services *(Note d)*	**524**	45
Accounts receivable arising from the ordinary course of business of money lending services *(Note e)*	**60,569**	–
	361,582	314,080

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:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**349,250**	308,137
Past due but not impaired *(Note f)*	**12,245**	3,103
Impaired	**145**	7,483
	361,640	318,723
Less: Allowance for impairment *(Note g)*	**(58)**	(4,643)
	361,582	314,080

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:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**54,611**	42,838
31 – 90 days	**10,492**	520
Over 90 days	**1,836**	2,551
	66,939	45,909

As at 31 December 2013, accounts receivable of approximately HK$255,000 (2012: HK$117,000) was due from directors of the Group and close family member of these directors, in respect of transactions in securities undertaken for their accounts.

Notes:

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

(b) As at 31 December 2013, accounts receivable due from cash clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$487,703,000 (2012: HK$385,769,000) in relation to the receivables of approximately HK$61,461,000 (2012: HK$25,363,000) that are not impaired; and a fair value of approximately HK$78,000 (2012: HK$31,000) in relation to the receivables of approximately HK$116,000 (2012: HK$107,000) 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 2013, accounts receivable due from margin clients are secured by the clients' pledged listed securities which carry a fair value of approximately HK$1,118,082,000 (2012: HK$852,785,000) in relation to the receivables of approximately HK$233,549,000 (2012: HK$265,281,000) that are not impaired; and a fair value of approximately HK$1,000 (2012: Nil) in relation to the receivables of approximately HK$29,000 (2012: HK$7,340,000) that are impaired.

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

(d) The settlement terms of accounts receivable arising from the ordinary course of business of provision of corporate financial advisory 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:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**524**	45

As at 31 December 2012, the receivables include an amount of approximately HK$36,000 that is impaired and has been fully provided for impairment loss.

(e) As at 31 December 2013, accounts receivable arising from the ordinary course of business of money lending services are secured and bear fixed-rate interest at a range of 1%-1.5% per month. The accounts receivable have remaining contractual maturity date falling within one year. The receivables are secured by the client's pledged non-listed debt securities or the corporate guarantee provided by the clients' holding company as at 31 December 2013. The management is satisfied with the credit quality of the accounts receivable and the securities collateral held by the Group for these balances.

(f) 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:

	2013	2012
	HK$'000	*HK$'000*
31 – 90 days	**10,495**	520
Over 90 days	**1,750**	2,583
	12,245	3,103

As at 31 December 2013, these receivables include cash clients' receivables of approximately HK$12,242,000 (2012: HK$3,103,000). No impairment loss has been provided as the fair values of the securities collateral held by the Group for these balances are generally in excess to the relevant carrying amounts.

As at 31 December 2013, the remaining balance of accounts receivable of approximately HK$3,000 (2012: Nil) are receivables arising from the money lending services. The Group has not provided for any impairment loss as the management is satisfied with the credit quality of the client.

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

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

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,643**	5,464
(Reversal) recognition of impairment loss, net	**(2,016)**	1,144
Amounts written off as uncollectible	**(2,569)**	(1,965)
Balance at end of the year	**58**	4,643

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.

16. 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 1.24% (2012: 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 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 2013, the Group maintained segregated accounts at one clearing house of approximately HK$1,299,000 (2012: HK$1,022,000) and at other authorised institutions of approximately HK$213,833,000 (2012: HK$265,106,000) 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.

17. ACCOUNTS PAYABLE

	2013	2012
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Notes a and b)*:		
Clearing house	**33,675**	3,123
Cash clients	**21,223**	28,861
Margin clients	**2,010**	5,669
Accounts payable arising from the ordinary course of business of provision of corporate financial advisory services	**–**	20
	56,908	37,673

Notes:

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

(b) As at 31 December 2013, accounts payable of approximately HK$2,045,000 (2012: HK$112,000) was due to directors of the Group, and close family members of these directors, in respect of transactions in securities undertaken for their accounts.

18. SHORT-TERM BANK BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Secured	**–**	40,000

As at 31 December 2013, there was no short-term bank borrowings (2012: HK$40,000,000). The short-term bank borrowings were secured by the pledged bank deposits and bore an interest rate at HIBOR plus 2% per annum.

19. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

On 15 May 2013, the Company entered into a placing agreement with a placing agent whereby the Company had conditionally agreed to place, through the placing agent on a best effort basis, a maximum number of 80,000,000 non-listed warrants at an issue price of HK$0.02 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20, which can be exercised at any time during a period of 24 months commencing from the date of issue of the warrants. The placing and issue of 80,000,000 non-listed warrants were completed on 2 August 2013.

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

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

	2 August 2013	**31 December 2013**
Spot price of the Company	HK$1.11	HK$1.15
Risk free rate	0.306%	0.273%
Expected volatility	58.146%	46.018%
Dividend yield	0%	0%
Warrant life	2 years	1.58 years

Risk free rate was determined with reference to the yield of 2 years and 1.58 years Hong Kong Exchange Fund Notes as at the valuation dates of 2 August 2013 and 31 December 2013 respectively. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years and 1.58 years respectively.

The movement of the fair value of the warrants for the year is as below:

	HK$'000
Balance at date of issue	1,600
Fair value change recognised to profit or loss	18,023
Balance at 31 December 2013	19,623

20. **SHARE CAPITAL**

	Authorised	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 1 January 2012, 31 December 2012 and 31 December 2013	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 2012	399,736,829	39,974
Exercise of share options	6,188,000	618
At 31 December 2012	405,924,829	40,592
Exercise of share options	5,882,000	589
At 31 December 2013	411,806,829	41,181

21. **FINANCIAL GUARANTEE**

As at 31 December 2013, 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 (2012: HK$130 million). As at 31 December 2013, VC Brokerage Limited did not utilise any banking facilities (2012: HK$40 million). The fair value of the financial guarantee contracts is immaterial.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

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

During the year ended 31 December 2013, 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 achieving 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 Corporate Governance Code ("CG Code") during the year ended 31 December 2013, which were contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the annual general meeting of the Company held on 24 May 2012, the office of the Chairman of the Board was vacant. The Company is now in the process of identifying the suitable candidate to fill the vacancy of the Chairman. Mr. Tin Ka Pak, Timmy, 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. Mr. Lam Kwok Hing, Wilfred, an Independent Non-executive Director of the Company, was absent from the annual general meeting of the Company held on 30 May 2013 (the "2013 AGM") due to other business commitments. Mr. Lam retired as independent non-executive Director of the Company during the 2013 AGM.

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 profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2013 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 Company's Audit Committee was formed on 14 March 2001 and is currently composed of three independent non-executive Directors, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Ip Chun Chung, Robert and Mr. Wong Kam Choi, Kerry. The primary duties of the Audit Committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's audited consolidated financial statements and results for the year ended 31 December 2013 and is satisfied that these have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the year ended 31 December 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2014 will be held on 29 May 2014. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2013 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 website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk. The Company's annual report for the year ended 31 December 2013 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 four Executive Directors, namely, Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry (Chief Investment Officer), Ms. So Wai Yee, Betty (Chief Financial Officer); and three Independent Non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Wong Chung Kin, Quentin and Mr. Wong Kam Choi, Kerry.

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

Hong Kong
25 March 2014