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 2015

The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (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 2015, together with the audited comparative figures of the corresponding period in 2014.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue for the year ended 31 December 2015 amounted to approximately HK$79.8 million, which increased by about 2% as compared with the same period in 2014.

The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$12.6 million for the year ended 31 December 2015 against a loss of approximately HK$8.3 million for the same period in 2014, representing an increase of about 51%.

Excluding the recognition of major non-recurring and/or non-operating nature items such as the net fair value changes in relation to the Warrants issued by the Company and the Convertible Bond held by the Company, the Group generated a consolidated operating loss after tax of approximately HK$11.9 million for the year ended 31 December 2015 against a loss of approximately HK$11.7 million for the same period in 2014, representing an increase of about 2%.

CEO'S STATEMENT

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

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

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

Looking ahead, Year 2016 is likely to remain challenging for the local financial sector. Divergent risks as well as opportunities reign over global economic conditions, while the financial market seeks to rally for broadening growth. While the local stock market started undergoing some extent of corrections and adjustments from the second half of 2015 due to the some major global economies stayed sluggish and these were continued at the beginning of 2016, our countering strategies will remain unchanged by enlarging our revenue base through fostering our core businesses and tapping into new emerging markets with expanded business initiatives. The Group has constantly explored business opportunities in the PRC market. The Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond.

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

Tin Ka Pak, Timmy
Chief Executive Officer and Executive Director

Hong Kong
29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

As an international financial center, Hong Kong was inevitably affected by the continual uncertainties and challenges in the global economy. Drawing on the strong growth momentum in 2014, including the active fund raising activities and the huge inflow of funds into the local stock market, especially from Mainland China, the local capital market delivered strong performance from the beginning of 2015 and even hit a significant upswing in the second quarter of 2015. However, the market once again experienced a moderate decline as global economic conditions started to wobble from the third quarter of 2015 when investors reacted to the negative development in Greece debt crisis, specifically to the uncertain future in Euro, and the equity rout happened in Mainland China capital market. Investors' sentiment was strongly hit by these twin worries and was then never picked up again in the rest of 2015. These were all reflected in the movements of the local stock market's average daily trading turnover, market capitalization and other various key market indices.

The average daily trading turnover was approximately HK$86.4 billion for the first quarter of 2015. Then, Hong Kong's stock market suddenly became much more active following the Easter holiday, in which the average daily trading turnover sharply increased to approximately HK$164.9 billion in the second quarter of 2015 and even recorded a peak of approximately HK$293.9 billion on 9 April 2015. The local stock market experienced the strongest rebound since the global financial tsunami erupted in late 2008. Overall, the local stock market's average daily trading turnover for the first half of 2015 was approximately HK$125.3 billion, which was about 99% higher than the same period last year. Unfortunately, the local stock market experienced a gradual decline in the second half of 2015, in which the average daily trading turnover was even down to approximately HK$101.5 billion in the third quarter and further to HK$71.9 billion in the fourth quarter of 2015. Overall, the local stock market's average daily trading turnover for 2015 was approximately HK$105.6 billion, which was still about 52% significantly higher than that of 2014. This was also reflected in the Hang Seng Index (the "HSI"), which hit a record high of 28,442 closed on 28 April 2015 but once plunged the biggest one-day drop by 5.8% on 8 July 2015 since the financial tsunami in October 2008. As at 31 December 2015, the HSI closed at 21,914, which was much lower as compared with 26,250 as at 30 June 2015 and 23,605 as at 31 December 2014.

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

Indeed, the strong growth of the local financial market in the first half of 2015 was partially contributed by the launch of Shanghai-Hong Kong Stock Connect ("SHK Stock Connect") since November 2014. The SHK Stock Connect enabled Mainland Chinese investors to invest in selected companies listed in Hong Kong while also allowing Hong Kong and international investors to buy Chinese A shares listed in Shanghai. This encourages overseas companies seeking a primary or secondary listing in Hong Kong, which may find this is an attractive opportunity to increase cash flows from Mainland Chinese investors who are seeking to diversify their investment portfolios. Meanwhile, overseas companies may also use the presence on the Hong Kong stock exchange to boost their profiles in China. This development had certainly helped boost the growth of the local financial market in the first half of 2015.

As a financial services provider, the business performance of the Group in 2015 was certainly impacted by both the global and local economic and market conditions. As always, the Group thrived on its solid financial standing and its various investment services and products offered to our clients. All of these consolidated the Group as a competitive player in the financial industry. While the financial-oriented business makes the Group particularly sensitive to fluctuating economic conditions and investors' sentiments, our fundamental strategy is firmly anchored and our core focus remains on developing and fortifying the Group's core businesses including (i) securities, futures and options brokering and dealing, and financing services (including local and overseas securities dealing, futures and options trading, derivatives and other structured products trading, placement and underwriting, margin financing and money lending, etc.); (ii) corporate finance services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions; and (iii) asset management. Indeed, the Group is committed to achieving long-term and balanced growth on the basis of solid financial capability and a pragmatic operating strategy, which help capitalizing on any growth opportunities and thereon enhance our shareholders' value.

On 6 August 2015, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of the Company's new securities which may result in the introduction of a controlling shareholder and a change in control of the Company under the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs. However, on 26 November 2015, the Company further announced that the discussions between the potential investor and the Company had ceased. No formal or legally binding agreement had been entered into between the two parties and the transaction would not proceed. The Company will continue to explore any opportunity, including but not limited to seeking the potential investors, so to uplift the shareholders' value.

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

Outlook

Looking ahead, Year 2016 is likely to remain challenging for the local financial sector. Divergent risks as well as opportunities reign over global economic conditions, while the financial market seeks to rally for broadening growth. As aforementioned, the local stock market started undergoing some extent of corrections and adjustments from the third quarter of 2015 due to the twin worries of Greece's uncertain future in Euro and the continued slumps in the Mainland China's capital market and had then never experienced a strong rebound in the rest of 2015. And the downturn was continued at the beginning of 2016. Investors are reminded to watch the market closely and avoid taking excessive risks. Having said that, the ongoing economic and financial reforms happened in Mainland China may help positioning and even strengthening Hong Kong as a key investment platform for both the Chinese investors and overseas investors and allow the overseas investors to gain access to the Mainland China's capital market, however, it still has a long way to go. Further, the forthcoming launch of Shenzhen-Hong Kong Stock Connect, which is still pending for regulatory approval, may also provide such positive impact.

Our business strategies continue to include enlarging our revenue base through fostering our core businesses, and tapping into new emerging markets with expanded business initiatives. While applying our excellent operational capabilities to serve our clients, the Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond. The Group will continue to explore the business opportunities in the PRC market. At the same time, the Group also keeps a firm grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted.

Long-term Business Strategy

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

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

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

Financial Review

For the year ended 31 December 2015, the Group's consolidated revenue was approximately HK$79.8 million which increased by about 2% as compared with the same period in 2014. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK$12.6 million for the year ended 31 December 2015 against a loss of approximately HK$8.3 million for the same period in 2014, representing an increase of about 51%. The increase in the Group's consolidated loss attributable to shareholders in 2015 was mainly attributable to (i) the Group's operating performance, specifically from its brokerage and financing businesses, had been adversely affected by the poor global and local economic and market conditions in the second half of 2015; (ii) the increase in corporate expenses incurred for the Group's business development; and (iii) the recognition of the net loss of approximately HK$0.7 million on fair value changes in relation to 80 million non-listed warrants (the "Warrant(s)") issued by the Company in August 2013 as compared with the net gain of approximately HK$7.2 million on the fair value changes on the Warrants and the investment of HK$20 million in a non-listed convertible bond (the "Convertible Bond") held by the Company for the same period in 2014. All these financial effects had been partially offset by the net gain of approximately HK$8.7 million from the Group's investments held for trading in 2015 as compared with approximately HK$0.8 million for the same period in 2014.

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

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

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

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

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

Brokerage and Financing

In 2015, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage Limited and VC Futures Limited, provides securities, futures and options brokering and dealing, margin financing, and placing and underwriting services. It also through another indirect wholly owned subsidiary, VC Finance Limited, provides money lending services. For the year ended 31 December 2015, the brokerage and financing businesses recorded total revenue of approximately HK$73.4 million as compared with approximately HK$75.5 million for the same period last year, representing a decrease of about 3% and accounted for about 92% of total revenue. The Group's major revenue stream, brokerage commission income and other related fee from dealing in securities, futures and options contracts for the year ended 31 December 2015 increased slightly to approximately HK$43.7 million from approximately HK$42.5 million for the same period last year, representing an increase of about 3% and accounted for about 55% of total revenue. It reflected that the Group's brokerage business keeps growing, although to a much lesser extent this year, with the fluctuated local stock market conditions as mentioned in the section "Business Review" above.

Meanwhile, the Group's total interest income from financing for the year ended 31 December 2015 decreased by about 7% to approximately HK$28.1 million from approximately HK$30.3 million for the same period last year and accounted for about 35% of total revenue. The revenue included the interest income derived from brokerage business and the interest income derived from money lending business. Among these, the Group's interest income from our brokerage clients recorded approximately HK$24.5 million for the year ended 31 December 2015, representing a growth of about 11% as compared with the same period last year. The growth was mainly contributed by the increase of the average loan portfolio of our brokerage clients by about 14% for the year ended 31 December 2015 as compared with the same period last year.

In order to broaden our revenue base by taking the advantage of the huge growth potential from the loan market and also offering our clients with more financial flexibility to meet their personal and business needs, the Group started to devote resources to expand the money lending business from the end of first half of 2013. However, there was a decrease in the Group's interest income generated from the money lending services to our clients for the year ended 31 December 2015, which recorded approximately HK$3.5 million as compared with approximately HK$8.2 million for the same period last year, representing a significant decrease of about 57%. The decrease was mainly because the Group allocated more resources into the brokerage business during the first half of 2015 so as to capitalize on the significant growing opportunities of the local stock market and thereon delivered the best value to our shareholders. Furthermore, in view of the local economic downturn in the second half of 2015, the Group had taken a much more cautious approach in the provision of money lending services to our clients. As such, the average loan portfolio of the money lending business for the year ended 31 December 2015 had decreased by about 58% as compared with the same period last year.

The Group has implemented effective credit control policies and procedures to review our clients' creditworthiness and credit limits from time to time so as to minimize our credit risk exposure. The credit policies and procedures were principally based on the doubtful unsecured exposure having assessed the fair values of the clients' collaterals held, the evaluation of collectability and aging analysis of the client accounts. For the year ended 31 December 2015, there was no recognition of impairment loss for accounts receivable in accordance with the Group's credit policies and procedures (2014: reversal of impairment loss of approximately HK$55,000).

Further, the Group also offers placing and underwriting services to our clients, and acts as placing agents and underwriters for Hong Kong listed companies' fund raising activities. For the year ended 31 December 2015, the Group's placing and underwriting commission was approximately HK$1.7 million as compared with approximately HK$2.2 million for the same period last year.

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

Corporate Finance

In 2015, VC Capital Limited, an indirect wholly owned subsidiary of the Company, was appointed as the financial adviser of several Hong Kong listed companies for a number of corporate transactions and actively involved in helping some clients as sponsor to seek for new listings on both the Main Board and the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the year 2015, it acted as a joint sponsor successfully helping a company to seek for listing in the Growth Enterprise Market, in which VC Brokerage Limited also acted as the sole bookrunner and joint lead manager in the share offer of the company.

Generally, initial public offerings sponsorships will continue to be a major revenue driver of our corporate finance segment and will create the business opportunities in share placements and underwriting for the Group as a whole. Even though the local capital market experienced a decline in the second half of 2015, the total fund raised from the initial public offerings in Hong Kong was approximately HK$261.3 billion for the year ended 31 December 2015, which was about 12% above that of the same period in 2014. It is vital to the Group to capture the growing opportunities from the more favourable and stable local market conditions in the future.

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

Asset Management

The Group is still pursuing new business opportunities and resources to develop its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of our clients. In the past few years, the global economic recovery continued to gain some momentum after the financial tsunami, however, the growth remained fragile constantly, which made the development of our asset management business still difficult. Nevertheless, the Group will continue to put efforts in approaching the potential clients so as to gain understanding of their needs, establish long-term business relationship with them and finally provide the personalized investment and wealth management services which can create greater value to them.

For the year ended 31 December 2015, the Company's asset management business, through its indirect wholly owned subsidiary, VC Asset Management Limited recorded an operating loss after tax of approximately HK$1.5 million as compared with approximately HK$0.3 million for the same period last year, which mainly included the general operating expenses such as staff costs and professional costs.

Net unallocated costs

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

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

On 2 August 2013, the Company placed and issued 80 million non-listed Warrants at an issue price of HK$0.02 each. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20 within two years from the date of the Warrant issued, i.e. from 2 August 2013 to 1 August 2015. The Company intends to use the net proceeds from the exercise of the subscription rights attaching to the Warrants for general working capital of the Group and/or to capture any possible investment in the future when opportunities arise. The Warrants were classified as financial liability at fair value through profit or loss and were measured at fair value with changes in fair value recognised in profit or loss. In late July 2015, a total of 47.2 million Warrants were exercised. Accordingly, the Company had issued 47.2 million subscription shares. It provided the net proceeds of approximately HK$56.6 million to the Company. Meanwhile, the balance of 32.8 million Warrants expired on 1 August 2015. Upon the exercise and expiry of the Warrants, the Group recognised a net loss of approximately HK$0.7 million in profit or loss on the fair value changes for the year ended 31 December 2015 against the net gain of approximately HK$9.8 million for the same period last year. Details had been given in Note 20 to the consolidated financial statements.

Fair value change on derivative financial asset

On 3 July 2013, the Company subscribed a non-listed Convertible Bond in a principal amount of HK$20 million issued by a company listed on the Stock Exchange, which matured and was fully redeemed by the issuer on 2 July 2015, the maturity date. The Convertible Bond was split into two components including convertible bond receivable and derivative financial asset in the consolidated financial statements. As at 31 December 2014, the carrying amounts of the convertible bond receivable and derivative financial asset were approximately HK$18.8 million and zero respectively in accordance with a valuation report prepared by an independent professional valuer as at 31 December 2014. For the year ended 31 December 2014, the Group recognised a loss of approximately HK$2.6 million on fair value change of the derivative financial asset in profit or loss. Details had been given in Notes 13 and 14 to the consolidated financial statements.

Net realised and unrealised gain on investments held for trading

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

Loss on deregistration of a subsidiary

Upon the deregistration of VC Capital (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company engaged in the provision of consultancy services in the PRC, completed in December 2014, the exchange reserve arising from the translation of its assets and liabilities into the presentation currency of the Group was reclassified to profit or loss making a loss of approximately HK$1 million for the year ended 31 December 2014. Details had been given in Note 7(a) to the consolidated financial statements.

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

The Group recognised an impairment loss of approximately HK$2.8 million on investment cost and loan (included in other receivables) to a private entity for the year ended 31 December 2014. The Group held the entity as an available-for-sale investment, which had a negative operating cash flow and sustained loss in 2014. Details had been given in Note 7(b) to the consolidated financial statements.

Income tax expense

For the year ended 31 December 2015, the income tax expense of the Group amounted to approximately HK$32,000 as compared with approximately HK$223,000 for the same period last year, which represented the provision of Hong Kong Profits Tax charge in relation to the profitability generated from the brokerage and financing businesses.

Finance costs

For the year ended 31 December 2015, the finance costs of the Group amounted to approximately HK$752,000 as compared with approximately HK$726,000 for the same period last year, in which all were incurred in relation to the short-term bank loans utilised for the Group's brokerage and financing businesses.

Headcount and employees information

As at 31 December 2015, the Group employed a total of 100 employees (31 December 2014: 92) which excluded 11 self-employed account executives for brokerage services (31 December 2014: 11) and all were located in Hong Kong. Staff costs (including the Directors' emoluments) and staff sales commission amounted to approximately HK$44.4 million and HK$21.3 million respectively for the year ended 31 December 2015 as compared with approximately HK$38.6 million and HK$21.6 million respectively for the same period last year. Details had been given in 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, the Group also provides medical coverage, sales commission, discretionary performance-based bonus, discretionary share options and share awards to its employees. Meanwhile, training and development programs are provided to employees from time to time.

Liquidity and financial resources/capital structure

For the year ended 31 December 2015, the Group financed its business operations and investments with internal resources, cash revenues generated from operating activities and short-term bank loans.

The Group adopts a prudent treasury policy. As at 31 December 2015, all borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances and cash were put in time deposits, saving deposits and current accounts as at 31 December 2015.

As at 31 December 2015, the Group held banking facilities of HK$130 million granted from a bank to VC Brokerage Limited (31 December 2014: HK$130 million). Among the HK$130 million banking facilities, HK$80 million (31 December 2014: HK$80 million) is general short-term money market loan and current account overdraft, which is currently required to be secured by bank deposits of HK$40 million (31 December 2014: HK$40 million). The other HK$50 million (31 December 2014: HK$50 million) is short-term money market loan for margin financing business, which is required to be secured by VC Brokerage Limited's margin clients' listed securities when utilised. As at 31 December 2015, the Group utilised the general short-term money market loan of HK$40 million (31 December 2014: HK$40 million) with an interest rate at HIBOR plus 2% per annum by pledge of bank deposits of HK$40 million (31 December 2014: HK$40 million).

As at 31 December 2015, the Group's net current assets, bank balances and cash and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK$628.3 million (31 December 2014: HK$490.8 million), HK$350.8 million (31 December 2014: HK$228.3 million) and HK$640.5 million (31 December 2014: HK$501.2 million) respectively, representing an increase of about 28%, 54% and 28% respectively as compared with 2014. Current ratio, expressed as current assets over current liabilities, was maintained at a very satisfactory level of approximately 7.7 as at 31 December 2015 (31 December 2014: 4.8). These showed that the Group's financial position had significantly strengthened throughout 2015 by the reasons stated below.

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

On 18 December 2014, the Company entered into a placing agreement with a placing agent regarding the placement of, on a best effort basis, up to an aggregate of 82.6 million new shares of the Company (the "Placing Share(s)") to not less than six independent parties at an issue price of HK$0.98 per Placing Share. The issue price represented a discount of about 5.77% to the closing market price of the Company's shares on the same date. The placement was completed on 21 January 2015 and a total of 82.6 million Placing Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2014. The net proceeds from the placement amounted to approximately HK$79.7 million and the net issue price per Placing Share was approximately HK$0.965. The 82.6 million Placing Shares rank pari passu with other shares of the Company in issue in all respects. The Company intended to use the net proceeds from the placement for the general working capital of the Group; expanding the margin financing and money lending businesses; and possible investment in the future when opportunities arise. The Directors are of the view that the placement not only broadens the shareholders' portfolio, but also strengthens the financial position of the Group. As the Group has always been looking for new business opportunities, the funds from the placement will enhance the Group's flexibility in future business developments or investments as and when opportunities arise. As at 31 December 2015, approximately HK$33 million net proceeds was used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and approximately HK$8.7 million net proceeds was used for the settlement of corporate administrative expenses. The remaining balance of approximately HK$38 million net proceeds will be used for the Group's general working capital and/or any possible investment in the future.

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

Charges on group assets

As mentioned in the section "*Liquidity and financial resources/capital structure*" above, the Group made a HK$40 million charge over its bank deposits to a bank (31 December 2014: HK$40 million) for securing the banking facilities of HK$80 million granted to VC Brokerage Limited in general short-term money market loan and current account overdraft as at 31 December 2015 (31 December 2014: HK$80 million).

Foreign exchange exposure

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. For the year ended 31 December 2015, almost all of the Group's principal businesses were conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure was thus minimal and no hedging against foreign currency exposure had been necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary action to minimize the exchange related risks.

Contingent liabilities

As at 31 December 2015, the Company had given financial guarantees of HK$130 million (31 December 2014: HK$130 million) to a bank in respect of banking facilities of HK$130 million provided to VC Brokerage Limited as mentioned in the section "*Liquidity and financial resources/capital structure*" above. As at 31 December 2015, banking facilities of an amount of HK$40 million was utilised by VC Brokerage Limited (31 December 2014: HK$40 million).

Gearing ratio

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

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

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

Future plans for material investments or capital assets

As at 31 December 2015, the Group had no other known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate.

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

Event after the reporting period

On 4 January 2016, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company ("Possible Transaction"). As at the date of this announcement, discussions are still in progress and the parties have not agreed on any terms of the Possible Transaction. No legally binding agreement for the Possible Transaction has been entered into between the parties.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Revenue	4	**79,795**	78,154
Other income	4	**2,490**	4,109
Staff costs	5	**(65,743)**	(60,201)
Commission expenses		**(5,915)**	(4,665)
Depreciation of property and equipment	12	**(1,694)**	(1,634)
Finance costs	6	**(752)**	(726)
Other operating expenses		**(28,761)**	(27,379)
Other gains and losses	7	**8,037**	4,262
Loss before taxation		**(12,543)**	(8,080)
Income tax expense	9	**(32)**	(223)
Loss for the year attributable to owners of the Company	8	**(12,575)**	(8,303)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**–**	(1)
Reclassification adjustment for exchange reserve realised on deregistration of a subsidiary		**–**	956
Other comprehensive income for the year		**–**	955
Total comprehensive income for the year attributable to owners of the Company		**(12,575)**	(7,348)
Loss per share (HK cents)			
Basic	11	**(2.43)**	(2.01)
Diluted	11	**(2.43)**	(2.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Trading rights		**–**	–
Other intangible assets		**1,246**	1,246
Property and equipment	12	**3,858**	2,587
Statutory deposits		**3,816**	3,946
Rental and utility deposits		**3,253**	2,630
Available-for-sale investments		**–**	–
		12,173	10,409
Current assets			
Accounts receivable	15	**302,427**	319,955
Prepayments, deposits and other receivables		**3,262**	3,864
Investments held for trading	17	**25,792**	10,500
Convertible bond receivable	13	**–**	18,833
Derivative financial asset	14	**–**	–
Pledged bank deposits		**40,000**	40,000
Bank balances and cash	16	**350,832**	228,297
		722,313	621,449
Current liabilities			
Accounts payable	18	**44,284**	70,651
Accrued liabilities and other payables		**9,488**	9,888
Taxation payable		**255**	223
Short-term bank borrowings	19	**40,000**	40,000
Financial liability at fair value through profit or loss ("FVTPL")	20	**–**	9,852
		94,027	130,614
Net current assets		**628,286**	490,835
Total assets less current liabilities		**640,459**	501,244
Capital and reserves			
Share capital	21	**639,851**	486,674
Reserves		**608**	14,570
Total equity		**640,459**	501,244

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Notes:

(1) Pursuant to a scheme of capital reorganisation, which became effective on 28 May 2003, the High Court of Hong Kong had approved the reduction of the Company's capital and the cancellation of the Company's share premium account. The credit arising from the reduction of the share capital account and cancellation of the share premium account, after eliminated against the accumulated losses, in the aggregate amount of HK$123,758,200 was transferred to a capital reserve account of the Company. Such capital reserve account will not be treated as realised profits, and shall be treated as an undistributable reserve of the Company until and unless the creditors of the Company as at the date of the sanction are fully settled. In view of the fact that the Company had already fully settled the relevant debts due to the creditors, the Company is of the view that the reserve is distributable to the Company's shareholders.

(2) Other reserve represented the negative differences between the purchase considerations and the amounts acquired from non-controlling interests arising from acquisitions of the remaining equity interests of 9.9% and 8.84% in VC Capital Limited and VC Asset Management Limited respectively completed in 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2015 financial year.

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

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

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

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

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

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

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

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

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

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

The following tables represent revenue and results information of these operating segments for the years ended 31 December 2015 and 2014.

Year ended 31 December 2015

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

Other segment information

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

Year ended 31 December 2014

	Brokerage and financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue	75,469	2,685	–	78,154	–	78,154
Inter-segment sales	24	460	–	484	(484)	–
	75,493	3,145	–	78,638	(484)	78,154
Segment profit (loss)	983	(6,848)	(298)	(6,163)	–	(6,163)
Elimination of intra-group costs						15,823
Central administrative costs						(21,946)
Fair value change on financial liability at FVTPL						9,771
Fair value change on derivative financial asset						(2,570)
Net realised and unrealised gain on investments held for trading						789
Loss on deregistration of a subsidiary						(956)
Impairment loss on other receivables						(2,778)
Impairment loss on available-for-sale investments						(50)
Loss before taxation for the year						(8,080)

Other segment information

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

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

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

In 2015 and 2014, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue from external customers are mainly derived from Hong Kong for both 2015 and 2014. All of its non-current assets are attributed to the operations in Hong Kong.

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

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

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

6. FINANCE COSTS

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

7. OTHER GAINS AND LOSSES

	2015 *HK$'000*	2014 *HK$'000*
Fair value change on financial liability at FVTPL *(Note 20)*	**(670)**	9,771
Fair value change on derivative financial asset *(Note 14)*	**–**	(2,570)
Net realised and unrealised gain on investments held for trading	**8,667**	789
Loss on deregistration of a subsidiary *(Note a)*	**–**	(956)
Impairment loss on other receivables *(Note b)*	**–**	(2,778)
Impairment loss on available-for-sale investments	**–**	(50)
Reversal of impairment loss on accounts receivable, net	**–**	55
Gain on disposal of property and equipment	**95**	12
Net exchange loss	**(55)**	(11)
	8,037	4,262

Notes:

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

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

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

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

9. INCOME TAX EXPENSE

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

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

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

10. DIVIDENDS

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

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

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

12. PROPERTY AND EQUIPMENT

	2015	2014
	HK$'000	*HK$'000*
Carrying value, beginning of the year	**2,587**	4,028
Additions	**3,150**	193
Depreciation	**(1,694)**	(1,634)
Written off/Disposal	**(185)**	–
Carrying value, end of the year	**3,858**	2,587

13. CONVERTIBLE BOND RECEIVABLE

On 3 July 2013, the Company subscribed a non-listed Hong Kong dollar denominated convertible bond of a principal amount of HK$20,000,000 issued by a company listed on the Stock Exchange. The convertible bond carries an interest at 8% per annum and has a maturity of two years. The convertible bond is convertible into ordinary shares of the issuer at a conversion price of HK$0.79 per share (which was adjusted to HK$0.65 per share from 23 January 2015) at any time from the day immediately following three months after the issue date up to the maturity date. On 2 July 2015, the convertible bond matured and were fully redeemed in cash by the issuer.

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

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

14. DERIVATIVE FINANCIAL ASSET

The convertible bond as disclosed in 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, which is measured at fair value with changes in fair value recognised in profit or loss.

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

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

	As at 31 December 2014
Spot price of the underlying share	HK$0.226
Conversion price	HK$0.79
Risk free rate (a yield of 0.51 year Hong Kong Exchange Fund Notes)	0.061%
Expected volatility (historical volatility of the share price of the comparable companies over the previous 1 year)	56.76%

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

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

15. ACCOUNTS RECEIVABLE

	2015	2014
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions:		
Clearing house and brokers *(Note a)*	**24,034**	40,847
Cash clients *(Note b)*	**13,273**	25,420
Margin clients *(Note c)*	**254,385**	232,799
Futures and options contracts transactions:		
Clearing house	**7**	10
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory, placing and underwriting services *(Note d)*	**608**	709
Accounts receivable arising from the ordinary course of business of money lending services *(Note e)*	**10,120**	20,170
	302,427	319,955

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

The credit quality of accounts receivable are summarised as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**301,066**	317,733
Past due but not impaired *(Note f)*	**1,361**	2,222
	302,427	319,955
Less: Allowance for impairment *(Note g)*	**–**	–
	302,427	319,955

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

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

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

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

As at 31 December 2015, accounts receivable of approximately HK$91,000 (2014: HK$720,000) was due from directors of the Group and close family members of these directors in respect of transactions in securities undertaken for their accounts.

Notes:

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

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

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

(c) As at 31 December 2015, accounts receivable due from margin clients were secured by the clients' pledged listed securities which carried a fair value of approximately HK$1,100,277,000 (2014: HK$934,088,000) in relation to the receivables of approximately HK$254,385,000 (2014: HK$232,799,000) that were not impaired. As at 31 December 2015 and 31 December 2014, no accounts receivable due from margin clients were impaired.

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

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

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

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

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

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

As at 31 December 2015, these receivables included cash clients' receivables of approximately HK$1,361,000 (2014: HK$1,822,000). No impairment loss had been provided as the fair values of the securities deposited by those cash clients and held by the Group for these balances were generally over the relevant carrying amounts.

As at 31 December 2014, the remaining balance of accounts receivable of approximately HK$400,000 were receivables arising from the corporate financial advisory services. The Group had not provided for any impairment loss as the management was satisfied with the credit quality of the accounts receivable.

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

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

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

In determining the recoverability of these accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date on which the credit was initially granted up to the end of the reporting date and also the fair values of the collateral held.

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 0.79% (2014: 0.001% to 1.36%) per annum with an original maturity of three months or less.

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

17. INVESTMENTS HELD FOR TRADING

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

18. ACCOUNTS PAYABLE

	2015	2014
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Notes a and b)*:		
Cash clients	**26,145**	68,293
Margin clients	**18,139**	2,358
	44,284	70,651

Notes:

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

(b) As at 31 December 2015, accounts payable of approximately HK$872,000 (2014: HK$440,000) was due to directors of the Group and close family members of these directors in respect of transactions in securities undertaken for their accounts.

19. SHORT-TERM BANK BORROWINGS

	2015	2014
	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 2015 and 31 December 2014.

20. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

On 2 August 2013, the Company placed and issued 80,000,000 non-listed warrants (the "Warrant(s)") at an issue price of HK$0.02 per Warrant. Each Warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.20, which can be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants.

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

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

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

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

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

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

21. SHARE CAPITAL

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

	Issued and fully paid Ordinary shares Number of shares	Amount HK$'000
At 1 January 2014	411,806,829	41,181
Transfer from share premium upon abolition of par value *(Note b)*	–	438,855
Issue of shares upon exercise of share options	6,360,000	6,638
At 31 December 2014	418,166,829	486,674
Issue of shares by placement *(Note c)*	82,600,000	80,948
Transaction costs attributable to issue of shares by placement	–	(1,221)
Issue of shares upon exercise of warrants *(Note 20)*	47,200,000	67,162
Transaction costs attributable to issue of shares upon exercise of warrants	–	(7)
Issue of shares upon exercise of share options	4,250,000	6,295
At 31 December 2015	552,216,829	639,851

Notes:

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

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

(c) On 18 December 2014, the Company entered into a placing agreement with a placing agent regarding the placement of, on a best effort basis, up to an aggregate of 82,600,000 new shares of the Company (the "Placing Share(s)") to not less than six independent parties at an issue price of HK$0.98 per Placing Share, which represented a discount of about 5.77% to the closing market price of the Company's shares on the same date. The placement was completed on 21 January 2015 and a total of 82,600,000 Placing Shares were issued under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 29 May 2014. The net proceeds from the placement amounted to approximately HK$79.7 million and the net issue price per Placing Share was approximately HK$0.965. The 82,600,000 Placing Shares rank pari passu with other shares of the Company in issue in all respects. As at 31 December 2015, the aforesaid net proceeds of approximately HK$33 million and HK$8.7 million were used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and the settlement of corporate administrative expenses respectively and the remaining balance will be used for the Group's other general working capital and possible investment in the future.

22. EVENT AFTER THE REPORTING PERIOD

On 4 January 2016, the Company announced that the Company was in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company ("Possible Transaction"). As at the date of this announcement, discussions are still in progress and the parties have not agreed on any terms of the Possible Transaction. No legally binding agreement for the Possible Transaction has been entered into between the parties.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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 complied with the code provisions set out in the Corporate Governance Code (the "CG Code") for the year ended 31 December 2015, 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 has been vacant. Mr. Tin Ka Pak, Timmy, Chief Executive Officer ("CEO") of the Company, has taken up the roles and functions of the Chairman. The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and CEO are performed by the same individual. lt also believes that it is in the best interest of the Group with Mr. Tin Ka Pak, Timmy to assume the roles of the Chairman and the CEO as which the Board's decision could be made effectively. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

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, pursuant to the provisions of the Articles of Association of the Company, all Directors, including Non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years. The Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

The 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 are given at the Company's website under the section "Corporate Governance".

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of three Independent Non-executive Directors of the Company, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Ip Chun Chung, Robert and Mr. Wong Kam Choi, Kerry, MH. The primary duties of the Audit Committee are to (i) review the Group's financial statements and published reports; (ii) provide advice and comments thereon to the Board; and (iii) 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 2015 and satisfied that these have been prepared in accordance with the applicable accounting standards and fairly present the Group's financial positions and results for the year ended 31 December 2015.

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 2015 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.

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

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2015 (the "2015 Annual Report") will be available at the same websites and will be dispatched to the Company's shareholders in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2016 will be held in June 2016. A notice convening this annual general meeting will be issued to the shareholders of the Company together with the 2015 Annual Report in due course, which will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vcgroup.com.hk.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five 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 Mr. Lin Hoi Kwong, Aristo; one Non-executive Director, Mr. Chung Chi Shing, Eric; and three Independent Non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Wong Chung Kin, Quentin and Mr. Wong Kam Choi, Kerry, MH.

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

Hong Kong
29 March 2016