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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

website: <http://www.vcgroup.com.hk>

(Stock Code: 821)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Value Convergence Holdings Limited (the “**Company**”) submits the unaudited condensed consolidated results of the Company and its subsidiaries (collectively “**VC Group**” or the “**Group**”) for the six months ended 30 June 2016, together with the unaudited comparative figures of the corresponding period in 2015.

FINANCIAL HIGHLIGHTS

The Group’s consolidated revenue for the six months ended 30 June 2016 amounted to approximately HK\$26.7 million, which decreased by about 48% as compared with the same period in 2015.

The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$25.5 million for the six months ended 30 June 2016 against a loss of approximately HK\$30.8 million for the same period in 2015, representing a decrease of about 17%.

Excluding the recognition of the net loss of approximately HK\$47.9 million on fair value change in relation to the non-listed warrants issued by the Company for the six months ended 30 June 2015, the major non-recurring and non-operating nature item, the Group generated a consolidated operating loss after tax of approximately HK\$25.5 million for the six months ended 30 June 2016 against an operating profit of approximately HK\$17.1 million for the same period in 2015.

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 advisory services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, as well as asset management.

Business Review

Hong Kong as an international financial center was inevitably affected by the continual uncertainties and challenges in the global economy. The local capital market experienced a setback 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 the PRC's capital markets. Investors' sentiment was strongly hit and never picked up again in the rest of 2015. The downturn in the local capital market had continued in the first half of 2016 and the performance was significantly worse as compared to the same period in 2015, in which the market delivered strong performance from the beginning of 2015 and hit a significant upswing in the second quarter of 2015. This was fully reflected in the movements of the local stock market's average daily trading turnover, market capitalization and other various key market indices.

The local stock market's average daily trading turnover was approximately HK\$67.5 billion for the first half of 2016 as compared to approximately HK\$125.3 billion for the same period in 2015, representing a substantial decrease of about 46%. The average daily trading turnover was even down to approximately HK\$62.6 billion in the second quarter of 2016. The downturn was also reflected in Hang Seng Index (the "HSI"), which hit the lowest of 18,319 closed on 12 February 2016 in the first half of 2016. As at 30 June 2016, the HSI closed at 20,794, which was lower as compared with 21,914 as at 31 December 2015 and 26,250 as at 30 June 2015, though the HSI had regained some footing in March for a while after plunging more than 16% to a four-year low in the first two months of 2016.

Meanwhile, the total market capitalization of local stock market also reached the lowest of approximately HK\$20,606.7 billion on 12 February 2016 in the first half of 2016 and closed at HK\$23,062.9 billion on 30 June 2016, which had decreased from approximately HK\$24,683.7 billion as at 31 December 2015 and HK\$29,080.5 billion as at 30 June 2015. The total fund raised in Hong Kong was only approximately HK\$145 billion in the first half of 2016, which was about 80% lower than that of the same period in 2015.

As a financial services provider, the business performance of the Group for the first half of 2016 had been unavoidably impacted by both the global and local economic and market conditions. Nevertheless, the Group always 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 advisory 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.

During the period from 1 January 2016 to 30 June 2016, the following actions had been taken by the Company with the aim to strengthen the Group's financial bases, hence, enhance the shareholders' value:

- (i) On 4 January 2016, the Company announced that it was in preliminary discussions with a potential investor regarding possible subscription of new securities in the Company. However, on 29 March 2016, 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 as to uplift the shareholders' value.
- (ii) On 21 June 2016, 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 110,000,000 new shares of the Company to not less than six independent parties at a placing price of HK\$0.83 per placing share. As certain conditions precedent had not been fulfilled upon expiry of the placing period, the placing agreement lapsed on 4 July 2016. The Directors are of the view that the lapse of the placing agreement had no material adverse impact on the business operation and financial position of the Company.
- (iii) On 24 June 2016, the Company announced that it was in preliminary discussions in relation to the formation of a joint venture securities company in the PRC. Further details and updates are disclosed in the section "Events after the reporting period" below.

Details of the Group's business performance of each operating segment for the six months ended 30 June 2016, together with the comparative figures of the corresponding period in 2015, are given in the section "Financial Review" below.

Outlook

Looking ahead, the second half of 2016 of the local financial sector does not look like promising. The Group's operating environment is expected to remain challenging in the rest of 2016. Signs of an economic slowdown can be felt everywhere. It is expected that global stock markets will be influenced by various uncertain economic and political factors over the world in the rest of the year, including Britain's exit from the European Union and the US presidential election in November 2016. Although global stock markets have somewhat recovered recently, the outlook is far from reassuring. Given Hong Kong economy is highly external-oriented, it certainly cannot escape the global economic volatility. Investors are reminded to watch the capital market closely and avoid taking excessive risks. It is unavoidable that the local economy will experience some difficulties before coming to a turnaround. We all hope that Hong Kong government can closely monitor the situation and introduce appropriate measures to help different sectors tide over the difficult period. Nevertheless, Hong Kong has a track record in coping with economic fluctuations and the ability to adapt to changing circumstances in a positive way. With the Shenzhen-Hong Kong Stock Connect being approved in mid August 2016, which is expected to be launched formally in late fourth quarter of 2016, it will certainly bring a positive impact to the local stock market.

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.

Financial Review

For the six months ended 30 June 2016, the Group's consolidated revenue was approximately HK\$26.7 million, which decreased by about 48% as compared with the same period in 2015. The Group recorded a consolidated loss attributable to shareholders amounted to approximately HK\$25.5 million for the six months ended 30 June 2016 against a loss of approximately HK\$30.8 million for the same period in 2015, representing a decrease of about 17%.

However, if the recognition of the net loss of approximately HK\$47.9 million on fair value change in relation to the 80 million non-listed warrants issued by the Company in August 2013 for the six months ended 30 June 2015, the major non-recurring and non-operating nature item, was excluded, the Group generated a consolidated operating loss after tax of approximately HK\$25.5 million for the six months ended 30 June 2016 against an operating profit of approximately HK\$17.1 million for the same period in 2015. The increase in net loss for the six months ended 30 June 2016 was mainly attributable to (i) the Group's operating performance, specifically from its brokerage and financing businesses, had been adversely affected by the deteriorated local stock market conditions in the first half of 2016; (ii) the increase in corporate expenses incurred for the Group's business development in the first half of 2016; and (iii) the net loss of approximately HK\$6 million from the Group's investments held for trading in the first half of 2016 as a result of the fluctuated local stock market as compared with the net gain of approximately HK\$17.4 million for the same period in 2015.

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

Revenue Analysis

	Six months ended 30 June 2016		Six months ended 30 June 2015		Increase (decrease) %
	Proportion of total revenue %	Proportion of total revenue %			
	HK\$'000	HK\$'000			
Revenue from:					
Brokerage and Financing	23,359	88%	47,169	93%	(50%)
Brokerage commission and other related fee	10,085	38%	29,419	58%	(66%)
Underwriting, sub-underwriting, placing and sub-placing commission	2,594	10%	1,639	3%	58%
Interest income from brokerage clients	10,389	39%	13,492	27%	(23%)
Interest income from money lending clients	291	1%	2,619	5%	(89%)
Corporate Finance	3,330	12%	3,781	7%	(12%)
Asset Management	—	—	—	—	—
Total Revenue	26,689	100%	50,950	100%	(48%)

Segment Analysis

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Segment results:		
Brokerage and Financing	(958)	5,221
Corporate Finance	(1,839)	(968)
Asset Management	(828)	(479)
Group segment (loss) profit	(3,625)	3,774
Net unallocated costs	(15,854)	(3,963)
Fair value change on financial liability at fair value through profit or loss	–	(47,914)
Net realised and unrealised (loss) gain on investments held for trading	(5,984)	17,400
Loss before taxation	(25,463)	(30,703)
Income tax expense	–	(119)
Loss for the period attributable to shareholders of the Company	(25,463)	(30,822)

Brokerage and Financing

During the six months ended 30 June 2016, the Company, through its indirect wholly owned subsidiaries, namely, VC Brokerage Limited (“**VC Brokerage**”) 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 six months ended 30 June 2016, the brokerage and financing businesses recorded total revenue of approximately HK\$23.4 million as compared with approximately HK\$47.2 million for the same period last year, representing a decrease of about 50%, and accounted for about 88% of the Group’s total revenue. The Group’s major revenue stream, namely, brokerage commission and other related fee from dealing in securities, futures and options contracts for the six months ended 30 June 2016 decreased to approximately HK\$10.1 million from approximately HK\$29.4 million for the same period last year, representing a decrease of about 66%, and accounted for about 38% of the Group’s total revenue. These reflected that the Group’s brokerage business was unavoidably impacted by the fluctuated local stock market as mentioned in the section “Business Review” above.

Meanwhile, the Group's total interest income from financing for the six months ended 30 June 2016 decreased by about 34% to approximately HK\$10.7 million from approximately HK\$16.1 million for the same period last year and accounted for about 40% of the Group's 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\$10.4 million for the six months ended 30 June 2016, representing a drop of about 23% as compared with the same period last year. The drop was mainly contributed by the decrease of the average loan portfolio of our brokerage clients by about 43% for the six months ended 30 June 2016 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 the first half of 2013. As abovementioned, the local economic downturn happened suddenly from the second half of 2015, the Group had then taken a much more cautious approach in the provision of money lending services. As such, the average loan portfolio of the money lending business for the six months ended 30 June 2016 had decreased by about 88% as compared with the same period last year. Thus, the Group's interest income generated from the money lending services was substantially decreased, which recorded approximately HK\$0.3 million for the six months ended 30 June 2016 as compared with approximately HK\$2.6 million for the same period last year, representing a significant decrease of about 89%.

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 control policies and procedures are 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 six months ended 30 June 2016, there was no recognition of impairment loss for accounts receivable in accordance with the Group's credit control policies and procedures (six months ended 30 June 2015: Nil).

Further, the Group offers placing and underwriting services to our clients, and acts as placing agent and underwriter for Hong Kong listed companies' fund raising activities. For the six months ended 30 June 2016, the Group's placing and underwriting commission was approximately HK\$2.6 million as compared with approximately HK\$1.6 million for the same period last year.

Overall, the operating performance of the brokerage and financing businesses for the six months ended 30 June 2016 had been adversely affected by the deteriorated local stock market conditions, which generated an operating loss after tax of approximately HK\$1 million against an operating profit after tax of approximately HK\$5.1 million for the same period last year.

Corporate Finance

For the six months ended 30 June 2016, 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 acting as sponsor for clients to seek for new listings on both the Main Board and the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the six months ended 30 June 2016, it acted as a joint sponsor successfully helping a company to seek for listing on the Main Board of the Stock Exchange, in which VC Brokerage also acted as the joint 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. Unfortunately, the local capital market experienced a significant decline in the first half of 2016. The total fund raised from the initial public offerings in Hong Kong was approximately HK\$43.6 billion, which was about 66% below that of the same period in 2015. 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 six months ended 30 June 2016 was slightly worse than the same period last year, which recorded a revenue of approximately HK\$3.3 million and an operating loss after tax of approximately HK\$1.8 million as compared with approximately HK\$3.8 million and HK\$1 million respectively for the same period last year.

Asset Management

For the six months ended 30 June 2016, 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\$0.8 million as compared with an operating loss after tax of approximately HK\$0.5 million for the same period last year, which mainly included the general operating expenses such as the staff costs and professional costs.

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.

Net unallocated costs

For the six months ended 30 June 2016, the net unallocated costs of the Group amounted to approximately HK\$15.9 million as compared with approximately HK\$4 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 substantial increase in the net unallocated costs for the six months ended 30 June 2016 was mainly attributable to (i) the increase in corporate expenses of approximately HK\$5.9 million, which included staff costs, rental and utility expenses and entertainment and travel expenses incurred for the Group's business development; (ii) the absence of interest income of approximately HK\$1.9 million from investment in convertible bonds which had been matured in July 2015; and (iii) the decrease in intra-group management fee and interest income of approximately HK\$4 million.

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

In August 2013, the Company placed and issued 80 million non-listed warrants (the "Warrant(s)") at an issue price of HK\$0.02 each. Each Warrant carries the right to subscribe for one ordinary share of the Company at subscription price of HK\$1.2 within two years from the issue date. The Company intends to use the net proceeds from exercise of the subscription rights attaching to the Warrants for general working capital of the Group and/or 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.

For the six months ended 30 June 2015, the Group recognised a net loss of approximately HK\$47.9 million on fair value change of the Warrants in profit or loss based on the valuation report prepared by an independent professional valuer. In late July 2015, the subscription rights for a total of 47.2 million Warrants were exercised and the Company issued 47.2 million subscription shares accordingly. 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. Details had been disclosed in Note 18 to the unaudited condensed consolidated financial statements.

Net realised and unrealised (loss) gain on investments held for trading

As at 30 June 2016, the Group held equity securities listed in Hong Kong of approximately HK\$96.2 million as investments held for trading, which was stated at market value, as compared with approximately HK\$25.8 million as at 31 December 2015. The Group invests mainly through purchases in the secondary market. The management follows strictly the internal securities investment policy and seeks the approval from the Board, when necessary, so as to enhance the financial returns to the shareholders and limit the risk exposure associated therewith. For the six months ended 30 June 2016, the Group recognised a net loss of approximately HK\$6 million (including a realised gain of approximately HK\$0.6 million and an unrealised loss of approximately HK\$6.6 million) on the investments held for trading as compared with an unrealised gain of approximately HK\$17.4 million for the same period in 2015.

Income tax expense

No provision for Hong Kong Profits Tax has been made as the Group has available tax losses brought forward from previous years to offset the estimated assessable profits for the six months ended 30 June 2016 as compared with the income tax expense of approximately HK\$119,000 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 six months ended 30 June 2016, the finance costs of the Group amounted to approximately HK\$35,000 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 30 June 2016, the Group employed a total of 101 employees (31 December 2015: 100) which excluded 9 self-employed account executives for brokerage services (31 December 2015: 11) and all were located in Hong Kong. Salaries and staff benefits costs (including the Directors' emoluments) and staff commission amounted to approximately HK\$22.8 million and HK\$3.9 million respectively for the six months ended 30 June 2016 as compared with approximately HK\$19.5 million and HK\$15 million respectively for the same period last year. Details had been disclosed in Note 5 to the unaudited condensed 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 and performance related 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 six months ended 30 June 2016, 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 30 June 2016, 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 30 June 2016.

As at 30 June 2016, the Group held banking facilities of HK\$100 million granted from a bank to VC Brokerage (31 December 2015: HK\$130 million), which is secured by bank deposits of HK\$40 million (31 December 2015: HK\$40 million) and corporate guarantee of HK\$100 million (31 December 2015: HK\$130 million) provided by the Company. Among the available banking facilities, HK\$40 million (31 December 2015: HK\$80 million) is general short-term money market loan and current account overdraft. The other HK\$50 million (31 December 2015: HK\$50 million) is short-term money market loan for margin financing business, which is required to be secured by VC Brokerage's margin clients' listed securities when utilised. The balance of HK\$10 million (31 December 2015: Nil) is used for drawings against uncleared cheques. As at 30 June 2016, the Group utilized the general short-term money market loan of HK\$40 million (31 December 2015: HK\$40 million) with an interest rate at the bank's cost of funding plus 2% per annum (31 December 2015: HIBOR plus 2% per annum).

As at 30 June 2016, the Group's bank balances and cash, net current assets and shareholders' equity (other than clients' segregated accounts) amounted to approximately HK\$227.5 million (31 December 2015: HK\$350.8 million), HK\$583.2 million (31 December 2015: HK\$628.3 million) and HK\$615 million (31 December 2015: HK\$640.5 million) respectively, representing a decrease of about 35%, 7% and 4% respectively as compared with that of 31 December 2015. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of approximately 7.6 as at 30 June 2016 (31 December 2015: 7.7). These showed that the Group maintained strong financial position as at 30 June 2016.

As at 30 June 2016 and 31 December 2015, the total number of issued ordinary shares of the Company was 552,216,829.

In 2015, the Company had successfully placed out 82.6 million new shares to not less than six independent parties and issued 47.2 million new shares to certain Warrants holders of the Company providing net proceeds of approximately HK\$79.7 million and HK\$56.6 million respectively. The usage of the respective net proceeds was given below.

As at 30 June 2016, all net proceeds of approximately HK\$79.7 million from the placing of the 82.6 million new shares had been utilised based on the intended usage, in which approximately HK\$33 million, HK\$11 million, HK\$20 million and HK\$15.7 million were used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses, acquisition of additional investments held for trading, acquisition of the financial asset at fair value through profit or loss as disclosed in Note 12 to the unaudited condensed consolidated financial statements and settlement of the Group's corporate administrative expenses respectively (31 December 2015: HK\$33 million and HK\$8.7 million used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and settlement of the Group's corporate administrative expenses respectively).

As at 30 June 2016, net proceeds of approximately HK\$38.9 million from exercise of the subscription rights attached to the 47.2 million Warrants out of the 80 million Warrants had been utilised based on the intended usage, in which approximately HK\$36.6 million and HK\$2.3 million were used for acquisition of additional investments held for trading and settlement of the Group's corporate administrative expenses respectively. As at the date of this announcement, the remaining balance of the net proceeds of approximately HK\$17.7 million had all been utilised for the intended use. This included as to approximately HK\$15 million for acquisition of additional equity interest in the financial asset at fair value through profit or loss as disclosed in the section "Events after the reporting period" below and as to approximately HK\$2.7 million for settlement of the Group's corporate administrative expenses. As at 31 December 2015, the aforesaid net proceeds had not been used.

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 as at 30 June 2016 (31 December 2015: HK\$40 million) for securing the banking facilities granted to VC Brokerage.

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 six months ended 30 June 2016, 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 30 June 2016, the Company had given financial guarantee of HK\$100 million (31 December 2015: HK\$130 million) to a bank in respect of banking facilities of HK\$100 million (31 December 2015: HK\$130 million) provided to VC Brokerage as mentioned in the section “Liquidity and financial resources/capital structure” above. As at 30 June 2016, banking facilities of an amount of HK\$40 million was utilised by VC Brokerage (31 December 2015: HK\$40 million).

Gearing ratio

As at 30 June 2016, the Group’s gearing ratio, expressed as total borrowings (solely the bank borrowings) over shareholders’ equity, was approximately 0.07 time (31 December 2015: 0.06 time).

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

For the six months ended 30 June 2016, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment except those disclosed in Notes 12 and 14 to the unaudited condensed consolidated financial statements.

Future plans for material investments or capital assets

As at 30 June 2016, the Group had no other known plans with regard to material investments or capital assets except the formation of a joint venture securities company in the PRC as mentioned in the section “Events after the reporting period” below. 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 by using its internal resources and/or different financing options available, whichever should be deemed appropriate.

As at 30 June 2016, the Group did not have any significant commitments contracted but not provided for in respect of purchase of property and equipment except those disclosed in Note 20 to the unaudited condensed consolidated financial statements.

Events after the reporting period

(a) Placing and Issue of New Shares under General Mandate

On 6 July 2016, 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 110,000,000 new shares of the Company (the “**Placing Share(s)**”) to not less than six independent parties at a placing price of HK\$0.87 per Placing Share. The placing price represented a discount of about 17.14% to the closing market price of the Company’s shares on 6 July 2016. The placement was completed on 15 July 2016 and a total of 110,000,000 Placing Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 2 June 2016. The net proceeds from the placement amounted to

approximately HK\$94.5 million and the net placing price per Placing Share was approximately HK\$0.859. The 110,000,000 Placing Shares rank pari passu with other shares of the Company in issue in all respects. The Company intends to use the net proceeds from the placement for the (i) general working capital of the Group; (ii) expanding the margin financing and money lending businesses of the Group; and (iii) 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. Details of the transaction had been disclosed in the Company's announcements dated 6 July 2016 and 15 July 2016.

As at the date of this announcement, the aforesaid net proceeds of approximately HK\$23 million, HK\$64.5 million and HK\$5 million were used for expanding the money lending business, acquisition of additional investments held for trading and settlement of the Group's corporate administrative expenses respectively. The remaining balance of approximately HK\$2 million will be utilized based on the intended usage.

(b) Acquisition of Investment

On 11 May 2016, Century Race Investments Limited ("**Century Race**"), an indirect wholly-owned subsidiary of the Company, had acquired 6% equity interest of a private entity (the "**Acquired Company**") at a cash consideration of HK\$20 million by entered into a sale and purchase agreement (the "**First S&P Agreement**") with the holder of the Acquired Company (the "**Holder**") (the "**First Acquisition**"). The First Acquisition was funded by the Group's internal resources and was recognised as the financial asset at fair value through profit or loss as at 30 June 2016.

On 7 July 2016, Century Race entered into another sale and purchase agreement (the "**Second S&P Agreement**") with the Holder and the Acquired Company whereby the Holder agreed to buy back the 6% equity interest of the Acquired Company from Century Race at a cash consideration of HK\$20 million and Century Race agreed to acquire 6% equity interest of a Cayman Islands company (the "**Target Company**") held by the Acquired Company at a cash consideration of HK\$20 million. Pursuant to the Second S&P Agreement, the Holder, the Acquired Company and Century Race mutually agreed to set-off against both of the cash consideration of HK\$20 million by way of shares swap (the "**Shares Swap**"). The Shares Swap was completed on 7 July 2016.

Meanwhile, in accordance with the Second S&P Agreement, Century Race agreed to acquire additional 4.5% equity interest of the Target Company at a cash consideration of HK\$15 million (the “**Second Acquisition**”). The Second Acquisition was funded by the Group’s internal resources and was completed on 7 July 2016. Thereafter, all rights and obligations for all parties under the First S&P Agreement had ceased and terminated. Following the First Acquisition and the Second Acquisition, Century Race had acquired an aggregate of 10.5% equity interest in the Target Company at a total cash consideration of HK\$35 million, which constituted a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

According to the Second S&P Agreement, the Holder and the Acquired Company jointly and severally guarantee that the Target Company’s net profit after tax for the years ending 31 March 2017 and 31 March 2018 shall not be less than RMB37.5 million and RMB50 million (the “**Guaranteed Amounts**”) respectively. In the event that the Target Company’s net profit after tax falls below the Guaranteed Amounts in any of the two years, the Holder and the Acquired Company shall compensate Century Race by proportion to the percentage of shareholding interest in cash. Meanwhile, Century Race has the right to request the Holder and the Acquired Company to buy back its shareholding interest in the Target Company if the Target Company is not listed on the GEM of the Stock Exchange on or before 31 December 2017. The buy-back consideration is calculated as Century Race’s acquisition cost plus an annual return of 15% less any dividend, bonus and compensation for the Guaranteed Amounts it has received, if any, and shall be payable in cash. Details of the transaction had been disclosed in the Company’s announcement dated 7 July 2016.

(c) *Formation of a Joint Venture Securities Company and Placing of Convertible Bonds*

On 24 July 2016, the Company announced that VC Brokerage entered into a joint venture agreement (the “**Joint Venture Agreement**”) with three independent parties on 21 July 2016 to establish a joint venture securities company in Guangxi, the PRC (the “**JV Company**”). The JV Company is expected to become a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC, subject to the approval by the China Securities Regulatory Commission. The total investment amount for the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,200 million), in which VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$534 million), representing 44.5% shareholding in the JV Company.

The Company will finance the above investment by placing of convertible bonds. On 21 July 2016, the Company entered into a placing agreement with a placing agent to procure on a best effort basis, to not less than six independent parties, to subscribe for the convertible bonds in the aggregate principal amount of up to HK\$850 million (the “**Convertible Bonds**”) during the placing period. The initial conversion price of the Convertible Bonds is HK\$0.65 each, representing a discount of about 49.61% to the closing market price of the Company’s shares on 21 July 2016. A maximum number of 1,307,692,307 conversion shares, which will rank pari passu with other shares of the Company in issue in all respects, will be issued pursuant to the specific mandate to be sought from the shareholders of the Company at the coming extraordinary general meeting of the Company. The aggregate net proceeds from the placing of the Convertible Bonds will be approximately HK\$829 million and the Company intends to use the net proceeds (i) as to approximately HK\$534 million for the capital contribution to the JV Company; and (ii) as to approximately HK\$295 million for the general working capital of the Group, expanding the margin financing and money lending business of the Group and other possible investment in the future when opportunities arise.

The Joint Venture Agreement will become effective upon (i) the Company having obtained the approval and authorisation from the shareholders of the Company and the relevant regulatory authorities in relation to the Joint Venture Agreement; and (ii) VC Brokerage having obtained the approval and authorisation from the relevant regulatory authorities in relation to the Joint Venture Agreement. Details of the transaction had been disclosed in the Company’s announcement dated 24 July 2016.

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

Hong Kong
29 August 2016

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	26,689	50,950
Other income	4	768	2,167
Staff costs	5	(26,724)	(34,521)
Commission expenses		(2,421)	(3,993)
Depreciation of property and equipment	11	(901)	(748)
Finance costs		(35)	(726)
Other operating expenses		(16,829)	(13,305)
Other gains and losses	6	(6,010)	(30,527)
Loss before taxation		(25,463)	(30,703)
Income tax expense	7	–	(119)
Loss for the period attributable to owners of the Company representing total comprehensive income	8	(25,463)	(30,822)
Loss per share (HK cents)			
Basic	10	(4.61)	(6.26)
Diluted	10	(4.61)	(6.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Trading rights		–	–
Other intangible assets		1,246	1,246
Property and equipment	11	4,258	3,858
Statutory deposits		3,014	3,816
Rental and utility deposits		3,253	3,253
Financial asset at fair value through profit or loss	12	20,000	–
Available-for-sale investment		–	–
		<u>31,771</u>	<u>12,173</u>
Current assets			
Accounts receivable	13	304,653	302,427
Prepayments, deposits and other receivables		3,114	3,262
Investments held for trading	14	96,191	25,792
Pledged bank deposits		40,000	40,000
Bank balances and cash	15	227,524	350,832
		<u>671,482</u>	<u>722,313</u>
Current liabilities			
Accounts payable	16	42,364	44,284
Accrued liabilities and other payables		5,874	9,488
Taxation payable		19	255
Short-term bank borrowings	17	40,000	40,000
		<u>88,257</u>	<u>94,027</u>
Net current assets		<u>583,225</u>	<u>628,286</u>
Total assets less current liabilities		<u>614,996</u>	<u>640,459</u>
Capital and reserves			
Share capital	19	639,851	639,851
Reserves		(24,855)	608
Total equity		<u>614,996</u>	<u>640,459</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note 1)	Accumulated losses HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000 (Note 2)	
At 1 January 2015 (Audited)	486,674	123,758	(109,808)	1,387	(767)	501,244
Loss and total comprehensive income for the period	–	–	(30,822)	–	–	(30,822)
Issue of shares upon exercise of share options	2,170	–	–	(480)	–	1,690
Issue of shares by placement (Note 19)	80,948	–	–	–	–	80,948
Transaction costs attributable to issue of shares by placement (Note 19)	(1,221)	–	–	–	–	(1,221)
At 30 June 2015 (Unaudited)	<u>568,571</u>	<u>123,758</u>	<u>(140,630)</u>	<u>907</u>	<u>(767)</u>	<u>551,839</u>

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note 1)	Accumulated losses HK\$'000	Other reserve HK\$'000 (Note 2)		
At 1 January 2016 (Audited)	639,851	123,758	(122,383)	(767)		640,459
Loss and total comprehensive income for the period	–	–	(25,463)	–		(25,463)
At 30 June 2016 (Unaudited)	<u>639,851</u>	<u>123,758</u>	<u>(147,846)</u>	<u>(767)</u>		<u>614,996</u>

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 loss, 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(27,226)	(133,679)
Cash flows from investing activities		
Interest received	386	227
Purchase of property and equipment	(1,301)	(1,480)
Purchase of financial asset at fair value through profit or loss	(20,000)	—
Purchase of investments held for trading	(111,385)	—
Proceeds from disposal of investments held for trading	35,002	—
Dividend received from investments held for trading	406	—
Proceeds from disposal of property and equipment	8	—
Payment of statutory deposits	(1,013)	(3,663)
Refund of statutory deposits	1,815	1,887
Net cash used in investing activities	(96,082)	(3,029)
Cash flows from financing activities		
Proceeds from exercise of share options	—	1,690
Proceeds from issue of shares by placement	—	80,948
Payments for transaction costs attributable to issue of shares by placement	—	(1,221)
Net cash generated from financing activities	—	81,417
Net decrease in cash and cash equivalents	(123,308)	(55,291)
Cash and cash equivalents at the beginning of period	350,832	228,297
Cash and cash equivalents at the end of period, represented by bank balances and cash	227,524	173,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

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 address of its registered office and principal place of business is 28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

The preparation of the interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidation financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The financial information relating to the year ended 31 December 2015 that is included in the unaudited condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the audited consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed 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.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the following new HKFRSs and amendments to HKFRSs that have been issued after the date the audited consolidated financial statements for the year ended 31 December 2015 were authorised for issuance but are not yet effective:

Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017, 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 1 January 2019, with earlier application permitted.

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.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Brokerage commission and other related fee from dealing in securities, futures and options contracts	10,085	29,419
Underwriting, sub-underwriting, placing and sub-placing commission	2,594	1,639
Arrangement, management, advisory and other fee income	3,330	3,781
Interest income from clients	10,680	16,111
	26,689	50,950
Other income		
Interest income from authorised institutions	362	219
Interest income from convertible bond receivable	–	1,948
Dividend income from investments held for trading	406	–
	768	2,167
Total income	27,457	53,117

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 six months ended 30 June 2016 and 2015:

Six months ended 30 June 2016 (Unaudited)

	Brokerage and financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	23,359	3,330	–	26,689	–	26,689
Inter-segment sales	–	20	–	20	(20)	–
	<u>23,359</u>	<u>3,350</u>	<u>–</u>	<u>26,709</u>	<u>(20)</u>	<u>26,689</u>
Segment loss	<u>(958)</u>	<u>(1,839)</u>	<u>(828)</u>	<u>(3,625)</u>	<u>–</u>	<u>(3,625)</u>
Elimination of intra-group costs						3,638
Central administrative costs						(19,492)
Net realised and unrealised loss on investments held for trading						<u>(5,984)</u>
Loss before taxation for the period						<u>(25,463)</u>

Six months ended 30 June 2015 (Unaudited)

	Brokerage and financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	47,169	3,781	–	50,950	–	50,950
Inter-segment sales	–	80	–	80	(80)	–
	<u>47,169</u>	<u>3,861</u>	<u>–</u>	<u>51,030</u>	<u>(80)</u>	<u>50,950</u>
Segment profit (loss)	<u>5,221</u>	<u>(968)</u>	<u>(479)</u>	<u>3,774</u>	<u>–</u>	<u>3,774</u>
Elimination of intra-group costs						7,593
Central administrative costs						(11,556)
Fair value change on financial liability at fair value through profit or loss						(47,914)
Net unrealised gain on investments held for trading						<u>17,400</u>
Loss before taxation for the period						<u>(30,703)</u>

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 fair value through profit or loss and net realised and unrealised gain (loss) on investments held for trading. This is the measure reported to the Group's Executive Committee for the purposes of resource allocation and performance assessment.

For the six months ended 30 June 2016, there was one customer amounted to more than 10% of the Group's revenue, representing about 11%. For the six months ended 30 June 2015, no single customer amounted 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 the six months ended 30 June 2016 and 2015. All of its non-current assets except the financial asset at fair value through profit or loss are attributed to the operations in Hong Kong as at 30 June 2016. All of its non-current assets are attributed to the operations in Hong Kong as at 31 December 2015.

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)

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff commission	3,945	15,030
Salaries	21,072	17,776
Staff welfare	1,062	820
Recruitment costs	102	59
Provision of long service payment/annual leave benefits	64	156
Retirement benefits scheme contributions	661	680
Reversal of discretionary and performance related incentive payments	(182)	—
	26,724	34,521

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value change on financial liability at fair value through profit or loss (<i>Note 18</i>)	–	(47,914)
Net realised and unrealised (loss) gain on investments held for trading (<i>Note 14</i>)	(5,984)	17,400
Gain on disposal of property and equipment	8	–
Net exchange loss	(34)	(13)
	<u>(6,010)</u>	<u>(30,527)</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has available tax losses brought forward from previous years to offset the estimated assessable profits for the six months ended 30 June 2016 (six months ended 30 June 2015: income tax expense of approximately HK\$119,000, represents provision of Hong Kong Profits Tax). Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2015.

At 30 June 2016, the Group has estimated unused tax losses and taxable temporary differences of approximately HK\$277,984,000 and HK\$1,909,000 respectively (31 December 2015: HK\$259,021,000 and HK\$7,609,000 respectively).

No deferred tax asset has been recognised as at 30 June 2016 and 31 December 2015 in respect of the estimated unused tax losses as it is uncertain whether sufficient future taxable profits including those that will arise from the reversal of existing taxable temporary differences will be available in the future to offset the amount. These taxable temporary differences and estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Included in other operating expenses:		
Auditor's remuneration	515	515
Operating leases in respect of land and buildings	<u>5,016</u>	<u>3,848</u>

9. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). The Directors of the Company have determined that no dividend will be paid for the six months ended 30 June 2016.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share		
(Loss for the period attributable to owners of the Company)	(25,463)	(30,822)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	552,217	492,141

Diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2016 as there is no dilutive effect, in which there was no outstanding share options and warrants in the reporting period. The diluted loss per share for the six months ended 30 June 2015 are computed excluding the effects of share options and warrants as the exercise of the Company's share options and warrants are anti-dilutive.

11. PROPERTY AND EQUIPMENT

	As at	As at
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Carrying value, at beginning of the period/year	3,858	2,587
Additions	1,301	3,150
Depreciation	(901)	(1,694)
Written off/disposal	–	(185)
Carrying value, at end of the period/year	4,258	3,858

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Unlisted equity securities (<i>Note</i>)	<u>20,000</u>	<u>—</u>

As at 30 June 2016, the investment in unlisted equity securities is classified as financial asset at fair value through profit or loss and is measured at fair value with change in fair value recognised in profit or loss. The fair value of the unlisted equity securities as at 30 June 2016 is determined based on the most recent transaction price. The Directors of the Company are of the opinion that the purchase price of the unlisted equity securities approximates to its fair value as at 30 June 2016.

The movement of the fair value of the unlisted equity securities was as follows:

	HK\$'000
At 1 January 2015, 31 December 2015 and 1 January 2016 (Audited)	—
Addition during the period	20,000
Fair value change recognised in profit or loss	<u>—</u>
At 30 June 2016 (Unaudited)	<u>20,000</u>

Note:

On 11 May 2016, Century Race Investments Limited (“**Century Race**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**First S&P Agreement**”) with an independent third party (the “**Holder**”) to acquire 6% equity interest of a private entity incorporated in the British Virgin Islands (the “**Acquired Company**”) at a cash consideration of HK\$20,000,000, which was funded by the Group’s internal resource. The transaction was completed on 11 May 2016.

The Acquired Company and its subsidiaries are principally engaged in the business as an Internet of Things products and services provider, specialising in city public safety sector, providing solutions and technical services, as well as entering the Smart City sector to provide comprehensive and complex services. According to the First S&P Agreement, the Holder guarantees that the Acquired Company’s net profit after tax for the years ending 31 March 2017 and 31 March 2018 shall not be less than RMB37.5 million and RMB50 million (the “**Guaranteed Amounts**”) respectively. In the event that the Acquired Company’s net profit after tax falls below the Guaranteed Amounts in any of the two years, the Holder shall compensate Century Race by proportion to the percentage of shareholding interest in cash. Meanwhile, Century Race has the right to request the Holder to buy back its shareholding interest in the Acquired Company if it is not listed on the Growth Enterprise Market (the “**GEM**”) of the Stock Exchange on or before 31 December 2017. The buy-back consideration is calculated as Century Race’s acquisition cost plus an annual return of 15% less any dividend, bonus and compensation for the Guaranteed Amounts it has received, if any, and shall be payable in cash.

13. ACCOUNTS RECEIVABLE

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Accounts receivable arising from the ordinary course of business of dealing in:		
Securities transactions:		
Clearing house and brokers (<i>Note a</i>)	20,771	24,034
Cash clients (<i>Note b</i>)	14,012	13,273
Margin clients (<i>Note c</i>)	215,792	254,385
Futures and options contracts transactions:		
Clearing house	6	7
Accounts receivable arising from the ordinary course of business of provision of corporate financial advisory services (<i>Note d</i>)	–	608
Accounts receivable arising from the ordinary course of business of money lending services (<i>Note e</i>)	54,072	10,120
	304,653	302,427

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:

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	303,542	301,066
Past due but not impaired (<i>Note f</i>)	1,111	1,361
	304,653	302,427
Less: Allowance for impairment (<i>Note g</i>)	–	–
	304,653	302,427

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, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are one trading day after the trade date. 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 contracts transactions, except for those amounts due from margin clients, the aging analysis based on the trade date is as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within 30 days	33,678	35,953
31 – 90 days	29	53
Over 90 days	1,082	1,308
	34,789	37,314

As at 30 June 2016, no accounts receivable (31 December 2015: HK\$91,000) 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 30 June 2016, the cash clients’ listed securities held by the Group with fair value of approximately HK\$87,743,000 (31 December 2015: HK\$365,178,000) in relation to the receivables of approximately HK\$14,012,000 (31 December 2015: HK\$13,273,000) that were not impaired. As at 30 June 2016 and 31 December 2015, 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’ receivable which are past due bear interest at commercial rates.

- (c) As at 30 June 2016, accounts receivable due from margin clients were secured by the clients’ pledged listed securities which carried a fair value of approximately HK\$752,644,000 (31 December 2015: HK\$1,100,277,000) in relation to the receivables of approximately HK\$215,792,000 (31 December 2015: HK\$254,385,000) that were not impaired. As at 30 June 2016 and 31 December 2015, no accounts receivable due from margin clients were impaired.

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

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within 30 days	<u>–</u>	<u>608</u>

- (e) As at 30 June 2016, accounts receivable arising from the ordinary course of business of money lending services were secured and bear fixed-rate interest at 2% (31 December 2015: 1.2%) per month. The accounts receivable as at 30 June 2016 and 31 December 2015 had remaining contractual maturity date falling within one year and were secured by the corporate guarantee provided by the client's holding company and/or client's pledged listed equity securities.

- (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 date is as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
31 – 90 days	29	53
Over 90 days	1,082	1,308
	<u>1,111</u>	<u>1,361</u>

As at 30 June 2016, these receivables included cash clients' receivables of approximately HK\$1,111,000 (31 December 2015: HK\$1,361,000). No impairment loss had been provided as the fair values of the securities collateral held by the Group for these balances were generally over the relevant carrying amounts.

- (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.

As at 30 June 2016 and 31 December 2015, no impairment loss on the accounts receivable had been made or recognised in profit or loss in the reporting periods.

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.

14. INVESTMENTS HELD FOR TRADING

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Equity securities listed in Hong Kong, at market value	<u>96,191</u>	<u>25,792</u>

15. BANK BALANCES AND CASH

In the course of the conduct of the regulated activities of its ordinary business, VC Brokerage Limited ("VC Brokerage"), 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 unaudited condensed consolidated statement of financial position. As at 30 June 2016, the Group maintained segregated accounts at one clearing house of approximately HK\$679,000 (31 December 2015: HK\$1,527,000) and at other authorised institutions of approximately HK\$265,280,000 (31 December 2015: HK\$227,947,000) 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 unaudited condensed consolidated financial statements.

16. ACCOUNTS PAYABLE

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities transactions (Notes a and b):		
Clearing house	14,639	–
Cash clients	27,263	26,145
Margin clients	462	18,139
	<u>42,364</u>	<u>44,284</u>

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 all these accounts payable are promptly settled two trading days after the trade date.
- (b) As at 30 June 2016, accounts payable of approximately HK\$401,000 (31 December 2015: HK\$872,000) was due to directors of the Group and close family members of these directors in respect of transactions in securities undertaken for their accounts.

17. SHORT-TERM BANK BORROWINGS

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Secured	<u>40,000</u>	<u>40,000</u>

The short-term bank borrowings were secured by the pledged bank deposits of HK\$40 million (31 December 2015: HK\$40 million) and bore an interest rate at the bank's cost of funding plus 2% per annum as at 30 June 2016 (31 December 2015: HIBOR plus 2% per annum).

18. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

In 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\$1.2, which can be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. As at 30 June 2015, the 80,000,000 Warrants were outstanding. In late July 2015, a total of 47,200,000 Warrants out of the 80,000,000 Warrants were exercised and the Company issued 47,200,000 subscription shares of the Company at a subscription price of HK\$1.2 each accordingly. 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 Warrants are classified as financial liability at fair value through profit or loss and are measured at fair value with change in fair value recognised in profit or loss.

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

	<i>HK\$'000</i>
At 1 January 2015 (Audited)	9,852
Fair value change recognised in profit or loss	47,914
At 30 June 2015 (Unaudited)	57,766
Fair value change recognised in profit or loss	(47,244)
Exercise of Warrants	(10,522)
At 31 December 2015 (Audited)	—

As at 30 June 2016, net proceeds of approximately HK\$38.9 million had been utilised based on the intended usage, in which approximately HK\$36.6 million and HK\$2.3 million were used for acquisition of additional investments held for trading and settlement of the Group’s corporate administrative expenses respectively. As at the date of this announcement, the remaining balance of the net proceeds of approximately HK\$17.7 million had all been utilised for the intended usage. This included as to approximately HK\$15 million for acquisition of additional equity interest in the financial asset at fair value through profit or loss as disclosed in Note 23(b) to the unaudited condensed consolidated financial statements and as to approximately HK\$2.7 million for settlement of the Group’s corporate administrative expenses. As at 31 December 2015, the aforesaid net proceeds had not been used.

19. SHARE CAPITAL

	Issued and fully paid Ordinary shares	
	Number of shares	Amount HK\$'000
At 1 January 2015 (Audited)	418,166,829	486,674
Issue of shares by placement (<i>Note</i>)	82,600,000	80,948
Transaction costs attributable to issue of shares by placement	–	(1,221)
Issue of shares upon exercise of warrants (<i>Note 18</i>)	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 (Audited) and at 30 June 2016 (Unaudited)	<u>552,216,829</u>	<u>639,851</u>

Note:

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 a placing price of HK\$0.98 per Placing share. The placement was completed on 21 January 2015 and a total of 82,600,000 Placing Shares were issued. The net proceeds from the placement amounted to approximately HK\$79.7 million. As at 30 June 2016, all net proceeds had been utilised based on the intended usage, in which approximately HK\$33 million, HK\$11 million, HK\$20 million and HK\$15.7 million were used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses, acquisition of additional investments held for trading, acquisition of the financial asset at fair value through profit or loss as disclosed in Note 12 to the unaudited condensed consolidated financial statements and settlement of the Group’s corporate administrative expenses respectively (31 December 2015: HK\$33 million and HK\$8.7 million used for providing additional working capital for securities and futures brokering and dealing and margin financing businesses and settlement of the Group’s corporate administrative expenses respectively).

20. COMMITMENTS

(a) Capital commitments

As at 30 June 2016, the Group did not make any commitments contracted but not provided for in respect of purchase of property and equipment (31 December 2015: HK\$39,000).

(b) Commitments under operating leases

As at 30 June 2016 and 31 December 2015, the Group had made commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within one year	10,550	3,734
In the second to fifth years inclusive	16,794	3,109
	<u>27,344</u>	<u>6,843</u>

Operating lease payments represent rental payable by the Group for its office premises and car parking space. Rentals are fixed for lease terms of 1 to 3 years as at 30 June 2016 (31 December 2015: 1 to 3 years).

21. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016 and 2015, the Group entered into the following transactions with related parties:

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors and key management personnel	<u>56</u>	<u>188</u>

The balances with related parties are set out in Notes 13 and 16.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities that are not measured at fair value

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.

Fair value of financial assets that are measured at fair value on a recurring basis

The Group's investment in unlisted equity securities classified as financial asset at fair value through profit or loss (see Note 12) and investments held for trading (see Note 14) are measured at fair value at the end of each reporting period. The fair value of the unlisted equity securities as at 30 June 2016 is determined based on the most recent transaction price. The fair value of the investments held for trading is determined based on the quoted market price available on the Stock Exchange.

Fair value hierarchy

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2016 (Unaudited)				
Unlisted equity securities classified as financial asset at fair value through profit or loss	–	20,000	–	20,000
Investments held for trading	96,191	–	–	96,191
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2015 (Audited)				
Investments held for trading	25,792	–	–	25,792

There were no transfers between levels of the fair value hierarchy in the current and prior periods.

23. EVENTS AFTER THE REPORTING PERIOD

(a) Placing and Issue of New Shares under General Mandate

On 6 July 2016, 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 110,000,000 new shares of the Company (the “**Placing Share(s)**”) to not less than six independent parties at a placing price of HK\$0.87 per Placing Share. The placing price represented a discount of about 17.14% to the closing market price of the Company's shares on 6 July 2016. The placement was completed on 15 July 2016 and a total of 110,000,000 Placing Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 2 June 2016. The net proceeds from the placement amounted to approximately HK\$94.5 million and the net placing price per Placing Share was approximately HK\$0.859. The 110,000,000 Placing Shares rank pari passu with other shares

of the Company in issue in all respects. The Company intends to use the net proceeds from the placement for the (i) general working capital of the Group; (ii) expanding the margin financing and money lending businesses of the Group; and (iii) 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. Details of the transaction had been disclosed in the Company's announcements dated 6 July 2016 and 15 July 2016.

As at the date of this announcement, the aforesaid net proceeds of approximately HK\$23 million, HK\$64.5 million and HK\$5 million were used for expanding the money lending business, acquisition of additional investments held for trading and settlement of the Group's corporate administrative expenses respectively. The remaining balance of approximately HK\$2 million will be utilized based on the intended usage.

(b) Acquisition of Investment

As disclosed in Note 12 to the unaudited condensed consolidated financial statements, Century Race Investments Limited ("**Century Race**"), an indirect wholly-owned subsidiary of the Company, had acquired 6% equity interest of a private entity (the "**Acquired Company**") at a cash consideration of HK\$20 million on 11 May 2016 (the "**First Acquisition**") by entered into a sale and purchase agreement (the "**First S&P Agreement**") with the holder of the Acquired Company (the "**Holder**"). The First Acquisition was recognised as the financial asset at fair value through profit or loss as at 30 June 2016. On 7 July 2016, Century Race entered into another sale and purchase agreement (the "**Second S&P Agreement**") with the Holder and the Acquired Company whereby the Holder, the Acquired Company and Century Race mutually agreed to swap the 6% equity interest of the Acquired Company held by Century Race into the 6% equity interest of a Cayman Islands company (the "**Target Company**") held by the Acquired Company and set-off against both of the cash consideration of HK\$20 million (the "**Shares Swap**"). Meanwhile, Century Race agreed to acquire additional 4.5% equity interest of the Target Company at a cash consideration of HK\$15 million (the "**Second Acquisition**"). The First Acquisition and the Second Acquisition were funded by the Group's internal resources. Both of the Shares Swap and the Second Acquisition were completed on 7 July 2016. All rights and obligations for all parties under the First S&P Agreement ceased and terminated. Following the First Acquisition and the Second Acquisition, Century Race had acquired an aggregate of 10.5% equity interest in the Target Company at a total cash consideration of HK\$35 million.

According to the Second S&P Agreement, the Holder and the Acquired Company jointly and severally guarantee that the Target Company's net profit after tax for the years ending 31 March 2017 and 31 March 2018 shall not be less than RMB37.5 million and RMB50 million (the "**Guaranteed Amounts**") respectively. In the event that the Target Company's net profit after tax falls below the Guaranteed Amounts in any of the two years, the Holder and the Acquired Company shall compensate Century Race by proportion to the percentage of shareholding interest in cash. Meanwhile, Century Race has the right to request the Holder and the Acquired Company to buy back its shareholding interest in the Target Company if the Target Company is not listed on the GEM of the Stock Exchange on or before 31 December 2017. The buy-back consideration is calculated as Century Race's

acquisition cost plus an annual return of 15% less any dividend, bonus and compensation for the Guaranteed Amounts it has received, if any, and shall be payable in cash. Details of the transaction had been disclosed in the Company's announcement dated 7 July 2016.

(c) Formation of a Joint Venture Securities Company and Placing of Convertible Bonds

On 24 July 2016, the Company announced that VC Brokerage entered into a joint venture agreement (the “**Joint Venture Agreement**”) with three independent parties on 21 July 2016 to establish a joint venture securities company in Guangxi, the PRC (the “**JV Company**”). The JV Company is expected to become a full-licensed securities company permitted to provide securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC, subject to the approval by the China Securities Regulatory Commission. The total investment amount for the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,200 million), in which VC Brokerage will contribute RMB445 million (equivalent to approximately HK\$534 million), representing 44.5% shareholding in the JV Company.

The Company will finance the above investment by placing of convertible bonds. On 21 July 2016, the Company entered into a placing agreement with a placing agent to procure on a best effort basis, to not less than six independent parties, to subscribe for the convertible bonds in the aggregate principal amount of up to HK\$850 million (the “**Convertible Bonds**”) during the placing period. The initial conversion price of the Convertible Bonds is HK\$0.65 each, representing a discount of about 49.61% to the closing market price of the Company's shares on 21 July 2016. A maximum number of 1,307,692,307 conversion shares, which will rank pari passu with other shares of the Company in issue in all respects, will be issued pursuant to the specific mandate to be sought from the shareholders of the Company at the coming extraordinary general meeting of the Company. The aggregate net proceeds from the placing of the Convertible Bonds will be approximately HK\$829 million and the Company intends to use the net proceeds (i) as to approximately HK\$534 million for the capital contribution to the JV Company; and (ii) as to approximately HK\$295 million for the general working capital of the Group, expanding the margin financing and money lending business of the Group and other possible investment in the future when opportunities arise.

The Joint Venture Agreement will become effective upon (i) the Company having obtained the approval and authorisation from the shareholders of the Company and the relevant regulatory authorities in relation to the Joint Venture Agreement; and (ii) VC Brokerage having obtained the approval and authorisation from the relevant regulatory authorities in relation to the Joint Venture Agreement. Details of the transaction had been disclosed in the Company's announcement dated 24 July 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: Nil).

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

During the six months ended 30 June 2016, 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 complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") for the six months ended 30 June 2016, which were contained in Appendix 14 of the Listing Rules, with the deviations mentioned below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive of a listed company should be separate and should not be performed by the same individual. Since Dr. Lee Jun Sing, the former Chairman of the Board, retired during the 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. It 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, under the Article 97 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.

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. Wong Chung Kin, Quentin, an Independent Non-executive Director of the Company, was absent from the 2016 annual general meeting of the Company held on 2 June 2016 (the “**2016 AGM**”) due to other business engagement. Ms. So Wai Yee, Betty, an Executive Director of the Company, was also absent from the 2016 AGM as she was on her maternity leave.

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 unaudited condensed consolidated financial statements and results for the six months ended 30 June 2016 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 six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report for the six months ended 30 June 2016 will be available at the same websites and will be dispatched to the Company’s shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six Executive Directors, namely, Mr. 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*), Mr. Lin Hoi Kwong, Aristo and Mr. Xie Jintai; 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 August 2016