VC GROUP
滙盈集團

Delivering Value Through Excellence

Value Convergence Holdings Limited
A Hong Kong listed company with stock code : 8101
www.valueconvergence.com

Annual Report 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to VALUE CONVERGENCE HOLDINGS LIMITED. The directors of VALUE CONVERGENCE HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

Executive Directors

Mr. HO, Lawrence Yau Lung
(President & Vice Chairman)
Mr. Patrick SUN
(Chief Executive Officer)

Non-executive Directors

Dr. HO Hung Sun, Stanley
(Chairman)
Dr. LEE Jun Sing

Independent Non-executive Directors

Dr. TYEN Kanhee, Anthony
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Registered Office

28/F., The Centrium
60 Wyndham Street
Central
Hong Kong

Company Homepage/Website

http://www.valueconvergence.com

Company Secretary

Mr. TSANG Yuen Wai, Samuel

Qualified Accountant

Ms. CHOI Suet Yin, Celia

Compliance Officer

Mr. Patrick SUN

Executive Committee

Mr. HO, Lawrence Yau Lung
(Chairperson)
Mr. Patrick SUN

Audit Committee

Dr. TYEN Kanhee, Anthony
(Chairperson)
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Remuneration Committee

Dr. TYEN Kanhee, Anthony
(Chairperson)
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Nomination Committee

Mr. SHAM Sui Leung, Daniel
(Chairperson)
Mr. HO, Lawrence Yau Lung
Mr. Patrick SUN
Dr. TYEN Kanhee, Anthony
Mrs. CHU HO Miu Hing

Finance Committee

Mr. HO, Lawrence Yau Lung
(Chairperson)
Mr. Patrick SUN

Regulatory Compliance Committee

Mr. HO, Lawrence Yau Lung
(Chairperson)
Mr. Patrick SUN
Dr. TYEN Kanhee, Anthony
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Authorised Representatives

Mr. Patrick SUN
Mr. TSANG Yuen Wai, Samuel

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

Standard Chartered Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

Share Registrar and Transfer Office

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

8101

President's Statement

2007 was another significant and fruitful year for Value Convergence Holdings Limited (the "VC Group") as the brokerage business continued to deliver encouraging results. In particular, our broking and margin financing business proved to be a key revenue driver, and the VC Group was also a joint sponsor for a major initial public offering. I am also pleased to announce that, in recognition of VC Group's achievements and excellent corporate management, we were honored with the "Hong Kong Outstanding Enterprises Award" by *Economic Digest*.

Last year was a good year for the financial services industry in spite of the very volatile stock market. As market sentiment improved following the Mainland Chinese Government's decision to permit investments under the Qualified Domestic Institutional Investor (QDII) scheme, the Hang Seng Index reached an all time high in October 2007. Benefiting from the buoyant stock market, brokerage commission from dealings in securities and futures and option contracts improved noticeably during the year under review.

In addition to general financial advisory transactions, in late September 2007, VC Group together with UBS AG acted as joint sponsors of the initial public offering of Hidili Industry International Limited. The IPO was oversubscribed by about 670 times and raised over HK$4 billion. Such solid performance clearly illustrated VC Group's capability in deal execution and handling large fund-raising exercises. Determined to enhance our recurring fee-based revenue further, we will strive to fortify our asset management business.

The management remains optimistic about the long-term prospects of VC Group's financial services business despite concerns over a potential US recession. Having vigorously fortified operations, sought to diversify our product portfolio, and expanded geographically, we are confident in the ability to enlarge our revenue base, thus fueling continuous growth. We will duly pursue acquisitions that enable us to capture new business opportunities in the rapidly growing financial markets in the Greater China region, thereby widening our customer base, strengthening profit fundamentals, and ultimately, improving shareholder value. Certainly, with our single largest controlling shareholder, the Melco Group, continuing to lend its full support, VC Group's position as a high caliber financial services provider will be maintained.

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our business partners, customers and shareholders for their steadfast patronage over the year. Likewise, our dedicated management team and staff are deserving of recognition and will be entrusted with elevating VC Group to new heights in the months and years ahead. As always we relish the challenges that await us, and by concerted efforts, will seize on opportunities that deliver greater returns for VC Group and our shareholders.

Ho, Lawrence Yau Lung
President and Vice Chairman

Hong Kong, 14th March 2008

BUSINESS/FINANCIAL REVIEW

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

The Group

For the year ended 31st December 2007, the Group's consolidated revenue was approximately HK$323.7 million, an increase of about 77% compared with 2006. Consolidated profit attributable to shareholders increased by about HK$24 million from the previous year to approximately HK$50.4 million for the year under review. Brokerage business continued to deliver encouraging results with broking and margin financing business as the key contributor. The Group was also a joint sponsor in a major initial public offering. However, the Group recognises that its business performance is very much dependent on market conditions and how well it can cope with competition. It intends to continue to focus on improving operational efficiency by investing in information technology and implementing strict cost control in the year to come.

On 28th September 2007, the Group entered into agreements with Hong Kong Chinese Limited in relation to acquiring a 60% controlling beneficial interest in The Macau Chinese Bank Limited, a licensed bank incorporated in the Macau Special Administrative Region of the PRC. The time limit for obtaining the approval of the Monetary Authority of Macao ("AMCM") regarding the acquisition was last due to expire on 29th February 2008, and, in view of the fact that no indication was received from AMCM, the Company's Board of Directors (the "Board") met to consider whether to extend the time limit further. In view of the adverse changes in the global financial and banking market in recent months, the Board considered it prudent not to extend the time limit further and the acquisition agreements accordingly lapsed on 1st March 2008. The Group remains, in principle, interested in acquiring an interest in The Macau Chinese Bank Limited and will continue to have discussions with the vendor. But the Company will consider this acquisition in light of the current financial and banking market condition. The Group will also consider and explore other investment opportunities.

In recognition of the Group's achievements and excellent corporate management, Economic Digest granted a "Hong Kong Outstanding Enterprises Award" to the Company in 2007.

Management Discussion and Analysis

The Market

Last year was a good year for the financial services industry in spite of the very volatile market. The Hang Seng Index started out at 20,004 points and dropped to 19,800 on 31st March 2007. As market sentiment improved due to the Mainland Chinese Government's relaxing rules for permitting investments under the Qualified Domestic Institutional Investor (QDII) scheme, the Hang Seng Index climbed to 21,772 on 30th June 2007 and reached 27,142 on 30th September 2007. The index reached its all time high at 31,958 on 30th October 2007 and retreated by 13% in two months to close at 27,812 for the year ended 31st December 2007. The average daily turnover of the Hong Kong stock market in the first quarter of 2007 was approximately HK$52.9 billion, and in the second quarter was approximately HK$65.9 billion, up 24.6% against the preceding quarter. It continued to climb in the third quarter to HK$97.7 billion and in the last quarter of the year reached approximately HK$134.5 billion.

Brokerage

Benefiting from the buoyant stock market, brokerage commission from dealing in securities and futures and option contracts improved noticeably for the year under review. Gross commission income increased by about HK$108 million, showing a growth of 102.7% when compared with 2006, and net brokerage commission income increased by 99.3%. Revenue and operating profit from this business segment were approximately HK$213.2 million (2006: HK$105.2 million) and HK$30.8 million (2006: HK$6.7 million) respectively for the year under review.

As for margin and other financing-related businesses, interest income grew by about 36.9% from HK$61.3 million in 2006 to HK$83.9 million. Net interest income, however, grew by a higher percentage of 55.1%, partly a result of the net proceeds of HK$357.3 million from two share placements completed in July and September, which has reduced the Group's reliance on external borrowings. The total operating profit generated by margin and other financing-related businesses was HK$26.2 million (2006: HK$15 million) for the year under review.

The division also actively participated in share underwriting and placement activities during the year, generating significantly improved income from service fees and underwriting commissions.

Corporate Advisory and Others

As for corporate advisory and related businesses including underwriting, share placing and asset management, turnover and operating profits for the year were HK$33.2 million (2006: HK$16.1 million) and HK$5.6 million (2006: HK$7.2 million) respectively. Included in the operating profits was a gain of HK$2.1 million (2006: HK$11.3 million) from the Group's own investment trading portfolio.

In addition to general financial advisory transactions, in late September 2007, the Group together with UBS AG acted as joint sponsors in the initial public offering of Hidili Industry International Limited that was about 670 times oversubscribed and raised over HK$4 billion. This clearly illustrated the Group's capability in deal execution and handling large fund raising exercises. Determined to enhance its recurring fee-based revenue, the Group will strive to grow its asset management business.

IPO sponsorships will continue to be a major revenue driver of the division, bringing business opportunities in underwriting and placement.

Asset Management

The Group is in the process of setting up a real estate private equity fund that will focus on the development of residential properties in Macau. It is intended that the Group, in partnership with a renowned international financial institution, will act as manager of this fund. This initiative will diversify the Group's product portfolio and enhance its fee-based revenue stream, and in turn contribute to the overall financial performance of the Group in the next financial year. The operating results of this division for the year under review were included in the Corporate Advisory and Others Division section.

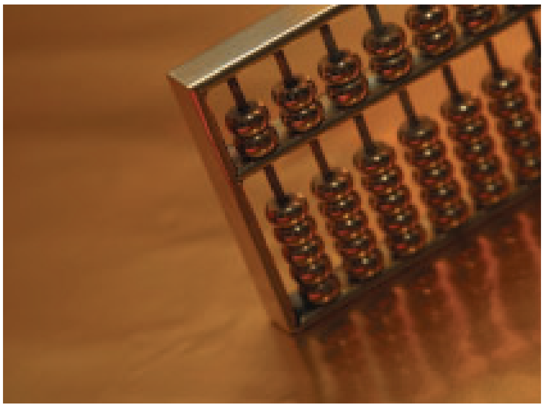
For the year ended 31st December 2007, Hong Kong remained the core market of the Group.

Liquidity and financial resources/capital structure

The Group financed its business operations with cash revenues generated from operating activities, short-term bank loans, bank overdrafts and shareholders' loans.

The Group held banking facilities of HK$205 million from various banks as at 31st December 2007 (2006: HK$170 million) and HK$60 million (2006: HK$60 million) of these banking facilities was secured by margin clients' listed securities. As at 31st December 2007, the Group had no outstanding bank borrowings (HK$49 million of unsecured bank borrowings as at 31st December 2006).

As at 31st December 2007, the Group had borrowed HK$241.9 million (2006: HK$241.9 million) from its major shareholder. The loans bear interest at prime rate minus 2% per annum or HIBOR plus 1.25% – 2% per annum and are repayable upon written notice from the major shareholder. The fund was used to finance expansion of the Group's business, to meet related regulatory capital



requirements and strengthen relevant business capabilities.

As at 31st December 2007, the Group's net current assets, cash available and shareholders' funds (other than the trust accounts) amounted to approximately HK$588.7 million (2006: HK$174.6 million), HK$293.4 million (2006: HK$67.9 million) and HK$605.5 million (2006: HK$193.5 million) respectively. The current ratio, expressed as current asset over current liabilities, was maintained at 2.66 (2006: 1.35).

The Group adopts a prudent treasury policy. All borrowings and the majority of bank balances and cash are denominated in Hong Kong dollar and put in short-term fixed deposits. The Group intends to maintain minimum exposure to foreign exchange risks.

In July and September 2007, the Group completed two placements of 50,680,000 and 61,000,000 new shares respectively. The shares were placed with independent third parties comprising both institutional and retail investors. Share options for 4,537,272 shares were exercised during the year. As at 31st December 2007, the total number of issued ordinary shares of the Company was 369,957,451 at HK$0.10 each (2006: 253,740,179 shares of HK$0.10 each).

Corporate governance

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

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

As discussed above, on 28th September 2007, the Group entered into agreements with Hong Kong Chinese Limited in relation to acquiring a 60% controlling beneficial interest in The Macau Chinese Bank Limited, a licensed bank incorporated in the Macau Special Administrative Region of the PRC. The time limit for obtaining the approval of AMCM regarding the acquisition was last due to expire on 29th February 2008, and, in view of the fact that no indication was received from AMCM, the Board met to consider whether to extend the time limit further. In view of the adverse changes in the global financial and banking market in recent months, the Board considered it prudent not to extend the time limit further and the acquisition agreements accordingly lapsed on 1st March 2008. The Group remains, in principle, interested in acquiring an interest in The Macau Chinese Bank Limited and will continue to have discussions with the vendor. But the Company will consider this acquisition in light of the current financial and banking market condition. The Group will also consider and explore other investment opportunities.

Headcount/Employees' information

As at 31st December 2007, the Group had a total of 126 employees, of whom 121 were stationed in Hong Kong and 5 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK$52.2 million and HK$117.5 million respectively for the year ended 31st December 2007 (2006: approximately HK$31.7 million and HK$56.8 million respectively). The Group's employees are selected, remunerated and promoted based on their qualifications and performance. Other staff benefits include contribution to the Mandatory Provident Fund, medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programmes are also provided to employees from time to time.

Charges on group assets

As at 31st December 2007, the Group had not charged or pledged any of its assets (2006: Nil).

Gearing ratio

As at 31st December 2007, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loans from the major shareholder) over shareholders' funds, was 0.4 times (2006: 1.5 times).

Foreign exchange exposure

It is the Group's policy that each operating entity uses local currencies as far as possible so as to minimize exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollar. Impact from foreign exchange exposure is thus minimal, which made hedging unnecessary.

Contingent liabilities

As at 31st December 2007, the Company provided corporate guarantees of HK$160 million to banks in respect of banking facilities granted to the subsidiary, VC Brokerage Limited (2006: HK$140 million).

OUTLOOK

Looking ahead, worries about the US economy heading for recession may increase volatility of the stock market. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial service business. With strong experience and managerial know-how in the financial service industry, the Company will continue to enhance its product and service offerings to cater for clients' diverse and growing needs. The Group will also actively pursue strategic acquisitions that can enable it to capture new business opportunities in the rapidly growing financial markets in the Greater China region and broaden its customer base, revenues and profit fundamentals, and ultimately improve shareholder value.

The board (the "Board") of Directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present their report together with the audited accounts of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2007, together with the audited comparative figures for the year ended 31st December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 26 to the financial statements.

An analysis of the Group's performance for the year ended 31st December 2007 by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2007 are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 25 and 28 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2007, the Company's reserve available for distribution to shareholders, calculated under section 79B of the Companies Ordinance, amounted to HK$5,561,000 (2006: HK$8,459,000).

FIVE YEARS'/PERIODS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years/periods is set out on page 83.

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

The Company has not redeemed any of its shares during the year ended 31st December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2007.

Directors' Report

DIRECTORS

The Directors during the year ended 31st December 2007 and up to the date of this report were:

Executive Directors
Mr. HO, Lawrence Yau Lung *(President and Vice Chairman)*
Mr. SUN Patrick *(Chief Executive Officer)*

Non-executive Directors
Dr. HO Hung Sun, Stanley *(Chairman)*
Dr. LEE Jun Sing
Attorney PATAJO-KAPUNAN, Lorna *(resigned on 27th February 2008)*

Independent Non-executive Directors
Dr. TYEN Kanhee, Anthony
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Pursuant to the Article 101 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election. In accordance with this provision, Dr. Ho Hung Sun, Stanley, Mr. Ho, Lawrence Yau Lung and Dr. Lee Jun Sing shall retire by rotation at the forthcoming annual general meeting ("AGM"). Due to other business engagements which require more of his attention, Dr. Ho Hung Sun, Stanley does not seek for re-election. Mr. Ho, Lawrence Yau Lung and Dr. Lee Jun Sing, being eligible, offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 29 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun have service contracts with VC Services Limited, a wholly-owned subsidiary of the Company, commencing on 1st January 2005 and 21st August 2006 respectively, which may be terminated by either party by written notice of not less than three months.

Save as disclosed above, as at 31st December 2007, none of the Directors of the Group has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 31 to the financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31st December 2007 or at any time during such year.

GROUP'S EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are determined with regard to the performance of individuals, the Company's operating results and market standards.

The Company has adopted its share option schemes as an incentive to Directors and employees. Details of movements of the share options granted to the Directors and employees during the year are set out in the sub-section headed "Interests in equity derivatives of the Company" under the section of "Directors' and Chief Executives' interests in the Company and its associated corporations" and the section headed "Share Option Scheme" in this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st December 2007, the relevant interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the shares of the Company (the "Shares")

Name of Directors	**Nature of interests**	*Notes*	**Number of Shares interested**	**Approximate percentage of Shares interested**
Dr. Ho Hung Sun, Stanley	Corporate	(2)	7,384,651	2.00%
Mr. Ho, Lawrence Yau Lung	Corporate	(3)	165,163,008	44.64%
	Personal	(5)	491,057	0.13%
Dr. Lee Jun Sing	Corporate	(4)	6,299,702	1.70%
	Personal	(5)	491,057	0.13%
Mr. Patrick Sun	Personal	(5)	2,400,000	0.65%

Notes:

1. As at 31st December 2007, the total number of issued shares of the Company was 369,957,451.

2. Dr. Ho Hung Sun, Stanley is taken to be interested in 7,384,651 Shares as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 2.00% of the issued share capital of the Company.

3. Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 Shares as a result of him being beneficially interest in approximately 33.48% of the issued share capital of Melco International Development Limited ("Melco") which in turn holds approximately 43.50% of the issued share capital of the Company; and (ii) 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.14% of the issued share capital of the Company.

4. Dr. Lee Jun Sing is taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 1.70% of the issued share capital of the Company.

5. The personal interests of the relevant Directors represent their respective derivative interests in the Company comprising the options as more particularly mentioned in sub-section headed "Interests in equity derivative of the Company" below.

(ii) Interests in the equity derivatives of the Company

Pursuant to the share option scheme adopted by the Company on 29th November 2001, certain Directors of the Company were granted options by the Company to subscribe for Shares. Movements of the options, which have been granted by the Company to the Directors, during the year are set out below:

			Number of shares options					
Name of Director	Date of grant	Exercise Price per Share *HK$*	Outstanding as at 01.01.2007	Granted during the year	Exercise during the year	Lapsed/ cancelled during the year	Outstanding as at 31.12.2007	Expiry date
Mr. Ho, Lawrence Yau Lung	09.07.2002	1.0	491,057	–	–	–	491,057	08.07.2012
Dr. Lee Jun Sing	09.07.2002	1.0	491,057	–	–	–	491,057	08.07.2012
Mr. Patrick Sun	27.12.2006	1.292	2,400,000	–	–	–	2,400,000	26.12.2016

During the year, none of the Directors exercised their options.

Save as disclosed above, as at 31st December 2007, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2007, so far as is known to the Directors of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	*Notes*	**Capacity**	**Number of Shares held**	**Approximate shareholding percentage**
Melco Financial Group Limited	(2)	Beneficial owner	160,930,381	43.50%
Melco International Development Limited	(2)	Held by controlled corporation	160,930,381	43.50%
Ms. Lo Sau Yan, Sharen	(3)	Family	165,654,065	44.78%
ASM Asia Recovery (Master) Fund	(4)	Beneficial owner	23,500,000	6.35%
Argyle Street Management Limited	(4)	Investment manager	27,000,000	7.30%
Argyle Street Management Holdings Limited	(4)	Held by controlled corporations	27,000,000	7.30%
Mr. Chan Kin	(4)	Held by controlled corporations	27,000,000	7.30%

Notes:

1. As at 31st December 2007, the total number of issued shares of the Company was 369,957,451.

2. Melco is taken to be interested in 160,930,381 Shares as a result of Melco being beneficially interested in the entire issued share capital of Melco Financial Group Limited.

3. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in Shares in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.

4. 23,500,000 Shares were held by ASM Asia Recovery (Master) Fund directly as beneficial owner. Argyle Street Management Limited ("ASM"), as investment manager, through ASM Asia Recovery (Master) Fund and another managed fund, was indirectly interested in an aggregate of 27,000,000 Shares. ASM is a wholly-owned subsidiary of Argyle Street Management Holdings Limited ("ASM Holdings") which is held by Mr. Chan Kin as to 44.45%. Accordingly, ASM Holdings and Mr. Chan Kin are taken to be interested in the 27,000,000 Shares held by ASM.

Save as disclosed above, as at 31st December 2007, so far as is known to the Directors, there is no other person who had an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 29th November 2001, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") which superseded the previous share option scheme of the Company adopted on 14th March 2001. Pursuant to the Share Option Scheme, the Directors may, at their discretion, grant to any participants share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that had or may have made by the participants to the Group and also provide them an opportunity to have a personal stake in the Company with the view to motivating them to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing business relationship with them whose contributions are beneficial to the long term growth of the Group. The Directors may at their discretion grant options to the employees or Directors of the Group or such other persons who are eligible for participation in the scheme to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme at HK$1.00 per option payable by each participant to the Company on acceptance of the offer of an option.

The total number of shares that may be issued pursuant to the exercise of all outstanding options granted under the Share Option Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Share Option Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company from time to time unless further shareholders' approval has been obtained. According to the terms of the Share Option Scheme, options granted to connected person, who is also a substantial shareholder or Independent Non-executive Director of the Company, in excess of 0.1% of the issued shares of the Company or with a value in excess of HK$5 million in the twelve month period up to the date of the grant must be approved by the Company's shareholders in general meetings. Also pursuant to the Share Option Scheme, no option may be granted to any one person within any twelve months period if the underlying shares of such option exceed 1% of the issued share capital of the Company from time to time unless otherwise approved by the Company's shareholders in general meetings.

As at the date of this report, a total of 22,641,577 Shares (representing approximately 6.12% of the existing issued share capital of the Company) are available for issue under the Share Option Scheme.

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share.

The Share Option Scheme will remain valid for a period of 10 years commencing on the date of adoption until 28th November 2011, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

A summary of the major terms of the Share Option Scheme is set out on pages 76 to 85 of the circular of the Company dated 12th November 2001.

Movements of the options during the year are set out below:

Categories	Date of grant	Exercise price per Share HK$	Number of shares options: Outstanding as at 01.01.2007	Granted during the year	Exercise during the year	Lapsed/ cancelled during the year	Outstanding as at 31.12.2007	Share options duration
Directors[1]	09.07.2002	1.00	982,114	–	–	–	982,114	09.07.2002 – 08.07.2012
Directors[3]	27.12.2006	1.292	2,400,000	–	–	–	2,400,000	27.12.2006 – 26.12.2016
Employees[1]	09.07.2002	1.00	24,942	–	–	–	24,942	09.07.2002 – 08.07.2012
Employees[1]	25.03.2004	0.64	5,723,065	–	(2,210,565)	–	3,512,500	25.03.2004 – 24.03.2014
Employees[2]	15.03.2006	1.18	654,934	–	(654,934)	–	–	15.03.2006 – 14.03.2016
Other eligible persons[1]	09.07.2002	1.00	1,130,107	–	(741,773)	(9,821)	378,513	09.07.2002 – 08.07.2012
Other eligible persons[1]	25.03.2004	0.64	1,900,000	–	(930,000)	–	970,000	25.03.2004 – 24.03.2014
Total			**12,815,162**	**–**	**(4,537,272)**	**(9,821)**	**8,268,069**	

Notes:

1. Commencing from the date of grant up to the date falling six months thereafter, up to 50% of the shares comprised in the options can be exercised. Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date grant, all shares comprised in the options which were not previously exercised can be exercised.

2. Commencing from the date of grant and ending 10 years after the date of grant, all shares comprised in the options can be exercised.

3. Commencing from 27th December 2007 to 26th December 2016, up to 800,000 shares comprised in the options can be exercised. Commencing from 27th December 2008 to 26th December 2016, up to 1,600,000 shares comprised in the options which were not previously exercised can be exercised. Commencing from 27th December 2009 to 26th December 2016, all shares comprised in the options which were not previously exercised can be exercised.

Details of the grant of share options to the Directors of the Company are disclosed in the sub-section headed "Interests in the equity derivatives of the Company" under the section of "Directors' and Chief Executives' interests in the Company and its associated corporations" above.

During the year, 9,821 share options lapsed as an employee failed to exercise the same within 3 months after he ceased to be employee of the Group. In respective of the share options exercised during the year, the weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK$5.09. No share options were cancelled under the Share Options Scheme during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had no major supplier due to the nature of principal activities of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st December 2007 are disclosed in note 31 to the financial statements.

None of the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors, management shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the businesses of the Group.

PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December 2007.

AUDITORS

The financial statements of the Company for the year ended 31st December 2007 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Value Convergence Holdings Limited
Ho, Lawrence Yau Lung
President & Vice Chairman

Hong Kong, 14th March 2008

The Group (Value Convergence Holdings Limited and its subsidiaries) is committed to promoting and maintaining the highest standard corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group.

In recognition of the Group's achievements and excellent corporate management, Economic Digest granted a "Hong Kong Outstanding Enterprises Award" to Value Convergence Holdings Limited ("VC" or the "Company") in 2007.

CORPORATE GOVERNANCE PRACTICES

(a) Application of Corporate Governance Principles and Promulgation of Company's Corporate Governance Code

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") with these objectives in mind. To this end, the Company has promulgated a set of Code on Corporate Governance (the "Company Code") which sets out the corporate standards and practices used by the Company to direct and manage its business affairs. It is prepared by referencing to the principles, Code Provisions and Recommended Best Practices set out in the HKSE Code, which came into effect on 1st January, 2005. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code and ultimately ensuring high transparency and accountability to the Company's shareholders. The Company Code has been posted on the Company's website.

(b) Compliance of the Code Provisions of the Company Code and HKSE Code

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the financial year ended 31st December 2007 with two deviations mentioned below:

Code provision A.4.1 of the HKSE Code provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

Code provision E.1.2 of the HKSE Code provides that the Chairman of the Board of Directors of the Company (the "Board") shall attend the annual general meeting of the Company. Dr. Ho Hung Sun, Stanley, the Non-executive Chairman of the Board, was unable to attend the annual general meeting of the Company held on 19th April 2007 (the "2007 AGM") as he had another business engagement. Mr. Patrick Sun, an Executive Director and Chief Executive Officer of the Group, was elected in accordance with the Articles of Association of the Company to act as the chairman of the 2007 AGM and answered questions raised by the shareholders at the 2007 AGM.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the HKSE Code and the Company Code.

THE BOARD OF DIRECTORS – FUNCTION AND COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company, which is delegated to the President and Vice Chairman and the management. Lists of (1) duties and powers delegated to the Company's President and Vice Chairman and matters reserved for decision of the Board and (2) division of responsibilities between the Company's Chairman and President and Vice Chairman are given at the Company's website under the section "Corporate Governance".

The posts of Chairman and President and Vice Chairman are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the President and Vice Chairman's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

The Board currently comprises a total of seven Directors, with two Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (President and Vice Chairman) and Mr. Patrick Sun (Chief Executive Officer); two Non-executive Directors, namely, Dr. Ho Hung Sun, Stanley (Chairman) and Dr. Lee Jun Sing; and three Independent Non-executive Directors, namely, Dr. Tyen Kanhee, Anthony, Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. More than one Independent Non-executive Directors have appropriate professional qualifications, accounting and financial management expertise.

Dr. Ho Hung Sun, Stanley, Chairman of the Board, is the father of Mr. Ho, Lawrence Yau Lung, the President and Vice Chairman of the Company.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Directors acknowledge their responsibility for preparing the financial statements set out in this Annual Report which give a true and fair view and are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Ho, Lawrence Yau Lung, Dr. Ho Hung Sun, Stanley and Dr. Lee Jun Sing will retire and they are eligible to offer themselves for re-election at the forthcoming annual general meeting ("2008 AGM"). Due to other business engagements which require more of his attention, Dr. Ho Hung Sun, Stanley does not seek for re-election. Mr. Ho, Lawrence Yau Lung and Dr. Lee Jun Sing, being eligible, offer themselves for re-election at the 2008 AGM. The biographical details of the retiring directors proposed for re-election have been set out in a circular to assist shareholders to make an informed decisions on their elections.

Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of five meetings during the year ended 31st December 2007. The Company Secretary and a finance professional also attend all board meetings to advise on statutory compliance, accounting and financial matters. All businesses transacted at the meetings were documented and maintained in accordance with applicable laws and regulations.

Set out below is the attendance record of each member of the Board at the board meetings during the year ended 31st December 2007 which illustrates the attention given by the Board in overseeing the Company's affairs:

	No. of meetings attended/held in the year 2007	Attendance rate
Executive Directors		
Mr. Ho, Lawrence Yau Lung *(President and Vice Chairman)*	5/5	100%
Mr. Patrick Sun *(Chief Executive Officer)*	5/5	100%
Non-executive Directors		
Dr. Ho Hung Sun, Stanley *(Chairman)*	0/5	0%
Dr. Lee Jun Sing	5/5	100%
Ms. Lorna Patajo-Kapunan [Note]	3/5	60%
Independent Non-executive Directors		
Dr. Tyen Kanhee, Anthony	5/5	100%
Mr. Sham Sui Leung, Daniel	5/5	100%
Mrs. Chu Ho Miu Hing	5/5	100%

[Note] Ms. Lorna Patajo-Kapuna resigned as a Non-executive Director of the Company with effect from 27th February, 2008.

Procedure to enable Directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2007.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors for the year 2007.

DELEGATION BY THE BOARD

Management functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to board committees or management.

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas.

Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the board committees have been posted on the Company's website under "Corporate Governance".

(1) Executive Committee

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Patrick Sun and members of the Company's senior management (non-voting capacity). It oversees the implementation of the Company's strategic objectives and risk management policies and the business and operations of all of the business units of the Group. It held meetings from time to time to discuss operational matters of the Company's business and new projects.

(2) Audit Committee

The Company's Audit Committee was formed on 14th March, 2001 and is currently composed of three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group. Other details of the role and function of the Audit Committee are available on the Company's website under the section "Corporate Governance".

During the year of 2007, the Audit Committee held a total of four meetings. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2007	Attendance rate
Dr. Tyen Kanhee, Anthony *(Chairman)*	4/4	100%
Mr. Sham Sui Leung, Daniel	4/4	100%
Ms. Lorna Patajo-Kapunan[Note]	3/4	75%
Mrs. Chu Ho Miu Hing	4/4	100%

Note Ms. Lorna Patajo-Kapuna resigned as a member of the audit committee of the Company with effect from 27th February 2008.

The Audit Committee has reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in HKSE Code. In the course of doing so, the Committee has met the Company's management, qualified accountant and external auditors several times during 2007.

A statement of director responsibilities for preparing the financial statements is set out in this Annual Report. The Auditors' Report states auditors' reporting responsibilities.

(3) Nomination Committee

The Nomination Committee is made up of the Company's Executive Directors and Independent Non-executive Directors, namely Mr. Sham Sui Leung, Daniel (Chairman), Dr. Tyen Kanhee, Anthony, Ms. Chu Ho Miu Hing [Note 1], Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun. It reviews the structure, size and composition (including the skills, knowledge and experience) of the Board; identifies individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

During the year 2007, the Nomination Committee held one meeting for reviewing the structure, size and composition of the Board. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2007	Attendance rate
Mr. Sham Sui Leung, Daniel *(Chairman)*	1/1	100%
Dr. Tyen Kanhee, Anthony	1/1	100%
Ms. Lorna Patajo-Kapunan [Note 2]	1/1	100%
Mr. Ho, Lawrence Yau Lung	1/1	100%
Mr. Patrick Sun	1/1	100%

[Note 1] Ms. Chu Ho Miu Hing was appointed as a member of the nomination committee of the Company with effect from 27th February 2008.

[Note 2] Ms. Lorna Patajo-Kapuna resigned as a member of the nomination committee of the Company with effect from 27th February 2008.

(4) Remuneration Committee

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Dr. Tyen Kanhee, Anthony (Chairman), Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. It makes recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determines the remuneration packages for executive directors and senior management and makes recommendations to the Board on the remuneration of non-executive directors. Other details of the role and function of the Remuneration Committee are given at the Company's website under the section "Corporate Governance".

In 2007, the Remuneration Committee held one meeting. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2007	Attendance rate
Dr. Tyen Kanhee, Anthony *(Chairman)*	1/1	100%
Mr. Sham Sui Leung, Daniel	1/1	100%
Mr. Ho, Lawrence Yau Lung [Note]	1/1	100%
Mr. Patrick Sun [Note]	1/1	100%
Mrs. Chu Ho Miu Hing	1/1	100%

[Note] Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun have resigned as member of the remuneration committee of the Company with effect from 3rd March 2008.

Remuneration policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share option scheme under which the Company may grant share options to the directors/employees to subscribe for the shares of the Company.

Emoluments of Directors

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year, the Remuneration Committee has considered and approved (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group, (c) salary increases for employees of the Group; (d) the compensation and benefits policy, annual target incentive scheme and long-term equity incentive plan and (e) the Directors' fees.

(5) Finance Committee

The Finance Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Patrick Sun and members of the Company's senior management (non-voting capacity). It conducts review on matters such as Group wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets; and reviews major acquisitions and investments and their funding requirements. It holds meetings from time to time to discuss financial matters of the Company's new and existing business.

(6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Company's Executive Directors and Independent Non-executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Patrick Sun, Dr. Tyen Kanhee, Anthony, Mr. Sham Sui Leung, Daniel, Mrs. Chu Ho Miu Hing, a member of senior management (non-voting capacity) and the Group Legal Counsel (non-voting capacity). It reviews and advises upon matters in respect of the present or future regulation of the Company's financial services businesses and compliance with applicable laws and regulations, including the GEM Listing Rules. It holds meetings from time to time to discuss the ongoing compliance matters of the Group.

INTERNAL CONTROL

The Group upholds the highest standards of integrity and credibility to earn respect and trust from our clients.

The Board acknowledges its overall responsibility for the establishment and maintenance of a sound system of internal control and risk management to safeguard the shareholders' investment and the Group's assets.

To fulfill its responsibility, the Board's Executive Committee is assigned to oversee the implementation of the Group's internal control and risk management policies and to monitor the business and operations of all of the business units of the Group. The Board also assigns the Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group.

Management Supervision

The Executive Committee and management have defined the organizational structure of the Group and its business units with clear lines of reporting and authorities and have recruited competent personnel to facilitate the establishment of an internal control system and the flow of necessary information.

The management has implemented a set of risk management procedures for the Group and its business units to provide a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The management endorses other policies, procedures, codes and guidelines to mitigate significant inherent risks embedded in the operational activities. The "Code of Business Conduct and Ethics" is also communicated to all employees with the aim of cultivating a high integrity and ethical values within the Group.

The Executive Committee conducts monthly meetings with the management team of business units to review business plan and strategies; business performance against budgets; key operations statistics and internal control issues.

Group Internal Audit Function

The Group has an internal audit function which reports directly to the Audit Committee. The annual audit plan is approved in the Audit Committee meeting. The internal audit team conducts independent reviews; reports all significant internal control and risk management matters; and monitors management resolution status.

The internal audit team reviews and assesses the adequacy and effectiveness of the Group's system of internal control by adopting a risk-based audit approach developed based on the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as recommended by the Hong Kong Institute of Certified Public Accountants.

The internal audit team adopts the following five components of the integrated framework to conduct the review assessment:

Extracted from Internal Control – Integrated Framework, COSO

(1) *Control Environment*

Control environment is the foundation for other components of the internal control, which also provides discipline and structure. Factors of control environment include ethical values and competence of personnel, direction provided by the Board and effectiveness of management.

(2) *Risk Assessment*

Risk assessment involves the identification and analysis of risks underlying the achievement of objectives, including risks relating to the changing regulatory and operating environment, as a basis for determining how such risks should be mitigated and managed.

(3) *Control Activities*

Control activities entail a diverse range of policies and procedures that help to ensure management directives are carried out and any actions that may be needed to address risks in order to achieve objectives.

(4) *Information and Communication*

Information and communication comprises effective processes and systems to identify, capture and report operational, financial and compliance-related information in a form and timeframe that enable staff to carry out their responsibilities.

(5) *Monitoring*

Monitoring is a process that assesses the adequacy and quality of the internal control system's performance over time. Deficiencies in internal controls should be reported to the senior management, the Audit Committee, or the Board.

Audit Committee Supervision

The Audit Committee conducts regular meetings with the management, the head of internal audit team and the external auditors to review the financial statements and auditors' reports on financial and internal control matters. The Audit Committee reports to the Board on significant internal control matters, suspected frauds or irregularities, alleged infringement of laws, rules and regulations, which come to their attention.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31st December 2007 covering all material financial, operational and compliance controls and risk management function, and considers that the system of internal control is adequate and effective.

AUDITORS' REMUNERATION

For the year ended 31st December, 2007, the Group paid around HK$1,683,100 to its auditors, Deloitte Touche Tohmatsu, for their provision of the audit and non-audit services to the Group. Out of this amount, HK$1,193,000 was for audit services and the balance of HK$490,100 was for non-audit services such as issuance of Accountant's Report for the proposed acquisition of a controlling beneficial interest in The Macau Chinese Bank Limited, special review of the Group' Provident Fund Scheme and tax services.

COMMUNICATION WITH SHAREHOLDERS

The Company regards the annual general meeting of the Company ("AGM") an important event as it provides an opportunity for the Board to communicate with the shareholders. Notice of AGM and related papers are sent to the shareholders no less than 21 days before the meeting. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Company Secretarial Department and the Public Relations Department respond to letters and telephone enquiries from shareholders/investors. Shareholders and investors are welcome to raise enquiries through our email contact info@vcgroup.com.hk or by mail to our Company Secretary at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at http://www.valueconvergence.com also provides a medium to make information of the Company and the Group available to the shareholders with a section on "Corporate Governance" included.

SHAREHOLDERS' RIGHTS

Pursuant to Article 65 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on requisition, as provided by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance"). In accordance with Section 113 of the Companies Ordinance, members holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company can request the Company to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. HO, Lawrence Yau Lung, aged 31, joined the Group in October 2000 and was appointed the President and Vice Chairman of the Group with effect from August 2002. Within six months of joining the Group, Mr. Ho spearheaded the public listing of the Company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and was instrumental in its subsequent mergers and acquisitions. Mr. Ho is currently the Chairman and Chief Executive Officer of Melco International Development Limited (“Melco”), which indirectly owns approximately 43.42% interest of the Company. Melco is a dynamic conglomerate listed on the Stock Exchange with a major business focus in Leisure, Gaming and Entertainment. Mr. Ho is also a Co-Chairman and Chief Executive Officer of Melco PBL Entertainment (Macau) Limited, a company listed on the Nasdaq Global Market owning one of only six gaming concessions and subconcessions to own and operate gaming business in Macau.

Mr. Ho is a graduate of the University of Toronto, Canada and holds a Bachelor of Arts degree, majoring in commerce. Mr. Ho is also the son of Dr. Ho Hung Sun Stanley, founder of the Shun Tak Group and Sociedade de Turismo e Diversões de Macau, S.A.

Mr. Ho is active in community services and serves on numerous boards and committees in Hong Kong, Macau and mainland China. He sits on the Board of Directors of The Community Chest and is the Chairman of The Chamber of Hong Kong Listed Companies. He is also a Member of The Chinese People’s Political Consultative Conference, Shanghai Committee; Member of Science and Technology Council of Macau Special Administrative Region; Member of All China Youth Federation, Member of Macau Basic Law Promotional Association; Chairman of Macau International Volunteers Association; Member of Campaign Committee of The Community Chest; Board of Governors of The Canadian Chamber of Commerce in Hong Kong; Honorary Lifetime Director of the Chinese General Chamber of Commerce, Hong Kong; President of Macau Canadian Chamber of Commerce; Member of Association of Property Agents and Real Estate Developers of Macau and Lifetime Member of Macao Chinese General Chamber of Commerce.

Over the years, Mr. Ho has been awarded a number of accolades for his excellent directorship and entrepreneurial spirit. Institutional Investor, a leading research and publishing organization, has honoured Mr. Ho as the “Best CEO” in the ‘Conglomerates’ category by the end of 2005. Mr. Ho also won the “Directors of the Year Award 2005” presented annually by the Hong Kong Institute of Directors. He received the 5th China Enterprise Award for Creative Businessmen in Beijing and was named “Leader of Tomorrow 2005” by Hong Kong Tatler for his leadership wisdom. As a socially responsible young entrepreneur, Mr. Ho was elected as one of the “Ten Outstanding Young Persons” in 2006. The Stevie Awards recognized Mr. Ho as a Stevie Finalist in the “Best Chairman” category of the “2007 International Business Awards”. He was also elected one of the 100 most influential people across Asia Pacific by Asiamoney magazine.

Mr. Patrick SUN, aged 49, joined the Group in August 2006. Mr. Sun has more than 20 years of experience in the investment banking business and has participated in numerous capital markets and advisory transactions. Before joining the Group, he had been an executive director of SW Kingsway Capital Holdings Limited (a company listed on the Stock Exchange); the Senior Country Officer of JP Morgan Chase and head of its investment banking business in Hong Kong; as well as the group executive director and co-head of investment banking of Jardine Fleming Holdings Limited. Mr. Sun is currently an independent non-executive director of Solomon Systech (International) Limited and China Railway Group Limited (both companies are listed on the Stock Exchange).

Mr. Sun holds a Bachelor of Science degree from the Wharton School, University of Pennsylvania in the United States and completed the Stanford Executive Program of the Stanford Business School. He is a qualified accountant in the United Kingdom and Hong Kong.

Mr. Sun was deputy convenor of the Listing Committee of the Stock Exchange from 1996 to 2002 and was a member of the Council of the Stock Exchange from 1995 to 2000. From 2002 to 2004, he was honorary chief executive officer of the Chamber of Hong Kong Listed Companies. He was appointed by the Securities and Futures Commission as a member of the Takeovers and Mergers Panel from 1995 to 1997 and again from 1999 to 2001.

Mr. Sun also participated actively in public services. He is a former member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council, the Investment Advisory Committee of the Hong Kong Exchanges and Clearing Limited, the Corporate Advisory Council of the Hong Kong Securities Institute and the Hong Kong Policy Research Institute. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies.

Non-executive Directors

Dr. HO Hung Sun, Stanley, G.B.S., aged 86, joined the Group as Chairman in February 2000. Dr. Ho is an outstanding entrepreneur in Asia with various key positions in both Hong Kong and Macau. In Hong Kong, he is Group Executive Chairman of Shun Tak Holdings Limited and President of The Real Estate Developers Association of Hong Kong. In Macau, he is Managing Director of Sociedade de Turismo e Diversões de Macau, S.A. and Sociedade de Jogos de Macau, S.A., Vice-Chairman of the Board of Directors of Macau International Airport Company Limited, Co-Chairman of the Advisory Committee of Seng Heng Bank Limited, and Chairman of the Board of Directors of Macau Horse Racing Company, Limited. Dr. Ho is the father of Mr. Ho, Lawrence Yau Lung, the President and Vice Chairman of the Company.

Dr. Ho is a Standing Committee Member of the 11th National Committee of the Chinese People's Political Consultative Conference.

In Hong Kong, Dr. Ho is Honorary Lifetime Chairman of The University of Hong Kong Foundation for Educational Development and Research, Member of the Court of The Hong Kong Polytechnic University, as well as Founding Honorary Life Chairman and Director of the PolyU Development Foundation. He is also Vice Patron of the Community Chest of Hong Kong, Trustee of the Better Hong Kong Foundation, and Patron of the Society of the Academy for Performing Arts.

In Macau, Dr. Ho is Trustee of Macau Foundation, Member of the Economic Development Council of the Macau Special Administrative Region Government, as well as Council Member of the University of Macau.

Dr. Ho was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2003. He was awarded the Grand Lotus Medal of Honour and the Gold Lotus Medal of Honour by the Macau Special Administrative Region Government in 2007 and 2001 respectively.

Dr. Ho is the holder of honorary doctorates of social sciences of The University of Hong Kong, The Hong Kong Polytechnic University and the University of Macau. He was awarded the Honorary Degree of Doctor of Business Administration by The Open University of Hong Kong in 2004. He is an Honorary Fellow of The Hong Kong Academy for Performing Arts and a Fellow of The Royal Academy of Dance, United Kingdom.

Dr. LEE Jun Sing, aged 61, joined the Group in January 2000 and is one of the founders of the Company. Dr. Lee graduated with a Doctor of Philosophy in Physical Chemistry from Indiana University, the United States, and did his postdoctoral research at John Hopkins University, the United States. Dr. Lee is also a director of numerous companies including Guangzhou Luhu Golf & Country Club, iSinolaw Limited, Bio-Cancer Treatment International Limited and Managing Director of Vast Honour Development Limited.

Independent Non-executive Directors

Mr. SHAM Sui Leung, Daniel, aged 52, joined the Group in August 2004. Mr. Sham qualified as a chartered accountant in England and Wales, and worked as a certified public accountant in Hong Kong for over 20 years. He was a partner of Moores Rowland Mazars for 14 years until he retired on 31 December, 2003. After his retirement, he rejoined Moores Rowland Mazars as a consultant in late 2004 and worked in that capacity until March, 2006.

Mr. Sham graduated with a Bachelor of Arts in Economics at University of Leeds. He was a member of the Auditing Standard Committee, the Expert Panel on Listing and the Expert Panel on Securities and the Accountants' Report Task Force of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He was also a member of the Disciplinary Panel of HKICPA.

Mr. Sham has all-round experience in accounting, auditing and other related works, especially in the fields of corporate finance and securities regulations. He is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited and Melco, both of which are listed on the Stock Exchange.

Dr. TYEN Kanhee, Anthony, aged 52, joined the Group in September 2004. He holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 30 years' experience in auditing, accounting, management and company secretarial practice. Dr. Tyen is also a director of Recruit Holdings Limited, the securities of which are listed on the Hong Kong Stock Exchange.

Mrs. CHU HO Miu Hing, aged 66, joined the Group in December, 2006. She has more than 30 years of experience in securities industry. Mrs. Chu is currently a director of Good Harvest Securities Company Limited. She was an executive director of Sinofert Holdings Limited (formerly known as Sinochem Hong Kong Holdings Limited) (a company listed on the Stock Exchange) until 31st August 2005.

Mrs. Chu holds a Bachelor's Degree in chemistry from Mount Holyoke College and a Bachelor's Degree in music from New England Conservatory of Music both in the United States. Mrs. Chu was a Council Member of the Stock Exchange. She is currently the vice-chairman of The Chamber of Hong Kong Listed Companies.

Senior Management

Mr. NG Man Hoi, Paul (Chief Operating Officer of Value Convergence Holdings Limited), aged 50, possesses over 22 years of experience in the finance and banking industry. He joined the CEF Group in 1992 and was transferred to the present VC Brokerage Limited in December 2001. During his service with the CEF Group, Mr. Ng had assumed the positions of Group Financial Controller and Head of Group Operations & System, and had worked in Singapore for about 3 years. Prior to joining the CEF Group, he held responsible positions at The Chase Manhattan Bank, N. A. and Dao Heng Bank in the areas of financial management and management information systems. Mr. Ng holds a Master of Business Administration from Newport University, U.S.A.

Dr. TANG Kam Sun, Lawrence (Chief Financial Officer of Value Convergence Holdings Limited), aged 48, joined the Group in March 2008. Dr. Tang has over 20 years extensive professional experience in the banking and finance fields. Prior to joining the Group, he was the Executive Director and Managing Director of South China Financial Holdings Limited (listed in Hong Kong). He worked at Industrial and Commercial Bank of China (Asia) as Chief Financial Officer from August 2002 to January 2007 and had also been holding senior management positions of various reputable multinational banks and financial institutions. Dr. Tang is a fellow Certified Public Accountant with a Doctorate in Business Administration from The University of Newcastle, Australia, a Master's Degree in Business Administration from University of Abertay Dundee, Scotland and a Master's Degree of Applied Finance from Charles Sturt University, Australia. He is a fellow of The Institute of Chartered Secretaries and Administrators (UK) and The Chartered Management Institute in UK. He is also an associate member of The Chartered Institute of Bankers in UK, The Institute for the Management of Information System (UK) and a Certified Finance and Treasury Professional in The Finance and Treasury Association in Australia and member of Hong Kong Securities Institute.

Mr. LAM Cho Ying, Terence Joe (Managing Director of VC Brokerage Limited), aged 46, joined the Group in April 2004. Mr. Lam has been in the financial industries for more than 22 years. He started out his career at JP Morgan Chase, subsequently with Tai Fook Securities, Crosby Securities, Yuanta Securities and his last appointment was with Kim Eng Securities. Mr. Lam holds a bachelor degree from University of Houston majoring in finance and marketing.

Mr. CHAU King Fai, Philip (Managing Director of VC Capital Limited), aged 46, joined the Group in May 2004. Mr. Chau has over 22 years of experience in banking and corporate finance. He has served as corporate finance directors in REXCAPITAL (Hong Kong) Limited, SocGen-Crosby Securities (HK) Limited (now SG Securities (HK) Ltd.) and SBC Warburg Dillon Read (now UBS Investment Bank). Before joining the corporate finance field, Mr. Chau had worked with several major international banks. Mr. Chau has been involved in numerous corporate finance transactions including floatation of various companies on stock exchanges in Hong Kong and the PRC, fund raising exercises of listed companies in the secondary market and financial advisory work of various nature for public and private companies in the Greater China region. Mr. Chau holds a bachelor degree in Business Administration majoring in Finance.

Mr. KO Kwong Woon, Ivan (Head of Real Estate Asset Management of VC Asset Management Limited), aged 48, joined the Group in January 2008. Mr. Ko has more than 16 years of real estate development and investment experience both in mainland China and Hong Kong. Prior to joining the Group, he has been the Managing Director and Head of Real Estate in SW Kingsway Capital Holdings Limited (a company listed on the Stock Exchange), Chairman & CEO of a mortgage joint venture he set up with major international investors including International Finance Corporation, has held senior management positions in two Hong Kong listed property development companies and ran his own consultancy business. Mr. Ko has a business degree from Chinese University of Hong Kong and studied a real estate development master program in University of Hong Kong and attended a real estate finance program in Wharton School of the University of Pennsylvania.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF VALUE CONVERGENCE HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Value Convergence Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 82 which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
14th March 2008

Consolidated Income Statement

For the year ended 31st December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Revenue	7	**323,747**	182,587
Other income	7	**3,795**	2,236
Net gain on trading investments	7	**2,051**	11,283
Staff costs	8	**(169,693)**	(88,473)
Depreciation of property, plant and equipment		**(1,625)**	(1,440)
Amortisation of trading rights		**(507)**	(506)
Adjustment to goodwill		**–**	(1,471)
Commission expenses		**(19,452)**	(10,150)
Finance costs	10	**(43,275)**	(35,094)
Other operating expenses		**(32,933)**	(32,526)
Profit before taxation	11	**62,108**	26,446
Taxation charge	12	**(11,750)**	(114)
Profit for the year		**50,358**	26,332
Earnings per share (HK cents)			
Basic	14	**16.97**	10.45
Diluted	14	**16.59**	10.22

Consolidated Balance Sheet

For the year ended 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Goodwill	15	**8,151**	8,151
Trading rights	16	**1,266**	1,773
Property, plant and equipment	17	**2,750**	2,463
Deferred tax assets	18	**1,100**	2,781
Statutory deposits		**2,988**	3,236
Other intangible assets	19	**547**	547
		16,802	18,951
Current assets			
Accounts receivable	20	**614,893**	588,236
Prepayments, deposits and other receivables	21	**34,573**	5,621
Trading investments	22	**–**	14,441
Amounts due from fellow subsidiaries	21	**–**	62
Amounts due from related companies	21	**206**	–
Bank balances and cash	21	**293,389**	67,916
		943,061	676,276
Current liabilities			
Accounts payable	23	**47,750**	157,260
Accrued liabilities and other payables		**30,879**	18,192
Amount due to ultimate holding company	21	**11,662**	18,679
Amounts due to fellow subsidiaries	21	**–**	15,243
Amounts due to related companies	21	**14,138**	–
Loans from ultimate holding company	21	**241,900**	241,900
Short-term bank borrowings	24	**–**	49,000
Taxation payable		**8,047**	1,400
		354,376	501,674
Net current assets		**588,685**	174,602
Total assets less current liabilities		**605,487**	193,553
Capital and reserves			
Share capital	25	**36,996**	25,374
Reserves		**568,491**	168,179
Total equity		**605,487**	193,553

The financial statements on pages 35 to 82 were approved by the Board of Directors on 14th March 2008 and are signed on its behalf by:

Ho, Lawrence Yau Lung
Director

Patrick Sun
Director

Balance Sheet

For the year ended 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	26	**10**	10
Amounts due from subsidiaries	26	**50,000**	50,000
		50,010	50,010
Current assets			
Prepayments, deposits and other receivables	21	**25,158**	289
Amounts due from subsidiaries	26	**929,806**	399,915
Amounts due from fellow subsidiaries	21	**–**	358
Amounts due from related companies	21	**239**	–
Bank balances	21	**9,187**	2,794
		964,390	403,356
Current liabilities			
Accrued liabilities and other payables		**629**	298
Amount due to ultimate holding company	21	**13,594**	20,856
Amounts due to subsidiaries	26	**231,634**	20,217
Amount due to a fellow subsidiary	21	**–**	3,011
Amounts due to related companies	21	**3,007**	–
Loans from ultimate holding company	21	**241,900**	241,900
		490,764	286,282
Net current assets		**473,626**	117,074
Total assets less current liabilities		**523,636**	167,084
Capital and reserves			
Share capital	25	**36,996**	25,374
Reserves	27	**486,640**	141,710
Total equity		**523,636**	167,084

Ho, Lawrence Yau Lung
Director

Patrick Sun
Director

Consolidated Statement of Changes In Equity

For the year ended 31st December 2007

	Attributable to equity holders of the parent						
	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Retained profits**	**Share option reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2006	24,964	6,468	123,758	(61)	8,836	–	163,965
Exchange difference arising on translation of foreign operation	–	–	–	(179)	–	–	(179)
Net expense recognised directly in equity	–	–	–	(179)	–	–	(179)
Profit for the year	–	–	–	–	26,332	–	26,332
Total recognised income and expense for the year	–	–	–	(179)	26,332	–	26,153
Exercise of share options	410	2,609	–	–	–	–	3,019
Recognition of equity-settled share-based payment	–	–	–	–	–	419	419
Share issue expenses	–	(3)	–	–	–	–	(3)
At 1st January 2007	25,374	9,074	123,758	(240)	35,168	419	193,553
Exchange difference arising on translation of foreign operation	–	–	–	(297)	–	–	(297)
Net expense recognised directly in equity	–	–	–	(297)	–	–	(297)
Profit for the year	–	–	–	–	50,358	–	50,358
Total recognised income and expense for the year	–	–	–	(297)	50,358	–	50,061
Issue of shares	11,168	356,528	–	–	–	–	367,696
Exercise of share options	454	3,071	–	–	–	–	3,525
Transfer to share premium upon exercise of share options	–	405	–	–	–	(405)	–
Recognition of equity-settled share-based payment	–	–	–	–	–	1,002	1,002
Share issue expenses	–	(10,350)	–	–	–	–	(10,350)
At 31st December 2007	36,996	358,728	123,758	(537)	85,526	1,016	605,487

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	2007 *HK$'000*	2006 *HK$'000*
Profit before taxation	**62,108**	26,446
Depreciation of property, plant and equipment	**1,625**	1,440
Amortisation of trading rights	**507**	506
Adjustment to goodwill	**–**	1,471
Recognition of equity-settled share-based payment	**1,002**	419
Impairment of doubtful receivables	**138**	2,980
Interest income from authorised institutions	**(3,265)**	(1,695)
Interest expenses	**43,275**	35,094
Operating cash flows before movements in working capital	**105,390**	66,661
Increase in accounts receivable	**(26,935)**	(271,712)
Increase in prepayments, deposits and other receivables	**(29,133)**	(668)
Decrease in trading investments	**14,441**	30,515
Decrease in amounts due from fellow subsidiaries	**62**	132
Increase in amounts due from related companies	**(206)**	–
(Decrease) increase in accounts payable	**(109,510)**	123,879
Increase in accrued liabilities and other payables	**12,647**	6,747
Decrease in amount due to an investee company	**–**	(6)
(Decrease) increase in amounts due to related companies/fellow subsidiaries	**(1,105)**	6,664
Cash used in operations	**(34,349)**	(37,788)
Interest paid	**(43,307)**	(35,077)
Interest received from authorised institutions	**3,388**	1,587
Tax paid	**(3,422)**	–
Net cash used in operating activities	**(77,690)**	(71,278)
Investing activities		
Purchase of property, plant and equipment	**(1,911)**	(2,061)
Proceeds from disposal of available-for-sale investments	**–**	680
Proceeds from disposal of convertible notes	**–**	4,000
Decrease (increase) in statutory deposits	**248**	(20)
Net cash (used in) from investing activities	**(1,663)**	2,599

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	2007 *HK$'000*	2006 *HK$'000*
Financing activities		
(Repayment to) advance from ultimate holding company	**(7,017)**	13,322
Loans from ultimate holding company	**–**	30,000
Repayment of bank borrowings	**(49,000)**	–
Drawdown of bank borrowings	**–**	21,000
Proceeds from new issue shares	**367,696**	–
Proceeds from exercise of share options	**3,525**	3,019
Share issue expenses	**(10,350)**	(3)
Net cash from financing activities	**304,854**	67,338
Net increase(decrease) in cash and cash equivalents	**225,501**	(1,341)
Cash and cash equivalents at the beginning of year	**67,916**	69,275
Effect of change in foreign currency translation	**(28)**	(18)
Cash and cash equivalents at the end of year, represented by bank balances and cash	**293,389**	67,916

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Its parent was Melco Financial Group Limited (incorporated in the British Virgin Islands) and its ultimate holding company was Melco International Development Limited (incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.) During the year, the Company has issued 111,680,000 ordinary shares. After the issuance of shares, Melco Financial Group Limited holds no more than 50% of the total shares and ceased to have control over the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

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

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

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Company has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

The Group and the Company have not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating segments [1]
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions [2]
HK(IFRIC) – Int 12	Service concession arrangements [3]
HK(IFRIC) – Int 13	Customer loyalty programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

[1] Effective for annual periods beginning on or after 1st January 2009.
[2] Effective for annual periods beginning on or after 1st March 2007.
[3] Effective for annual periods beginning on or after 1st January 2008.
[4] Effective for annual periods beginning on or after 1st July 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising from the acquisition of subsidiaries for which the acquisition date is before 1st January 2004 (the date the Group early adopted HKFRS 3), represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries, at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. It is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired. There is no goodwill recognised after the adoption of HKFRS 3.

If the potential benefit of the acquired subsidiaries' income tax loss carry-forwards or other deferred tax assets did not satisfy the criteria for recognition when a business combination is initially accounted for but is subsequently realised, the amount is recognised as income in accordance with HKAS 12 Income Taxes. In addition, the carrying amount of goodwill is reduced to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. The amount for the reduction in the carrying amount of the goodwill is recognised as an expense immediately.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in subsidiaries

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue arising from financial services are recognised on the following bases:

- Commission income for broking business is recorded as income on a trade date basis.

- Underwriting commission, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

- Arrangement, management, advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Interest income from authorised institutions is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

Service fees are recognised when the relevant services are rendered.

Trading rights

Trading rights represent rights to trade on The Stock Exchange of Hong Kong Limited ("SEHK") and Hong Kong Futures Exchange Limited ("HKFE"). They are stated at cost less accumulated amortisation and any accumulated impairment losses and amortised using the straight-line method over its estimated useful life.

Gains or losses arising from derecognition of the trading rights are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)

The Group holds financial assets at FVTPL and they are classified as financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including accounts receivable, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from related companies and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including accounts payable, accrued liabilities and other payables, short-term bank borrowings, amount due to ultimate holding company/fellow subsidiaries/subsidiaries/related companies, and loans from ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and substantially all the risks and rewards of ownership of the financial assets have been transferred. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated income statement for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors, employees and others providing similar services

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2007, the carrying amount of goodwill is approximately HK$8,151,000 (2006: HK$8,151,000). Details of the recoverable amount calculation are disclosed in Note 15.

Income taxes

As at 31st December 2007, a deferred tax asset of HK$1,100,000 (2006: HK$2,781,000) in relation to unused tax losses has been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

As at 31st December 2007, deferred tax asset has not been recognised in relation to the estimated unused tax losses approximately HK$125,300,000 (2006: HK$120,375,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which include bank borrowings and amounts due to group companies set out on the consolidated balance sheet and respective notes, and capital and reserves, which include issued share capital and reserves as set out on the consolidated balance sheet, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged throughout the year.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with Securities and Futures Commission ("SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with SFC on a monthly basis. The Regulated Subsidiaries have no non-compliance of the capital requirements imposed by SF(FR)R during the year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Fair value through profit or loss– held for trading	**–**	14,441	**–**	–
Loans and receivables (including cash and cash equivalents)	**941,760**	660,933	**964,281**	403,241
Financial liabilities				
Amortised cost	**346,329**	500,274	**490,764**	286,282

Financial risk management objectives and policies

The Group's major financial instruments include investments in equity securities, borrowings, accounts receivable, bank balances, accounts payable and loans from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

It is the Group's policy for each operating entity to operate in local currencies as far as possible to minimise currency risks. Approximately 98% of the Group's principal businesses are conducted and recorded in Hong Kong dollars, with minor deposits denominated in USD and RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate accounts receivable, bank balances and loans from ultimate holding company (see Notes 20 and 21 for details of these financial instruments). The Group has no fixed-rate instruments and hence not exposed to fair value interest rate risk. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flow interest rate risk.

The Group's cash flow interest rate risk is mainly relating to the fluctuation of HIBOR or best lending rate arising from the Group's interest bearing financial instruments. The Group's exposures to interest rates on financial assets and financial liabilities are detailed below.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Financial instruments with interest-bearing nature

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
Accounts receivable	**614,893**	588,236	**–**	–
Bank balances	**293,369**	67,900	**9,187**	2,794
Liability				
Loans from ultimate holding company	**241,900**	241,900	**241,900**	241,900

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and it is assumed that the amount of the above assets and liabilities at the balance sheet date was in existence for the whole year and all other variables were held constant throughout the respective year. A 100 basis point change represents management's assessment of the possible change in interest rates.

	2007		2006	
	Change in basis points		Change in basis points	
	+100	**–100**	+100	–100
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
THE GROUP				
Increase (decrease) in profit for the year	**6,664**	**(6,664)**	4,142	(4,142)
THE COMPANY				
(Increase) decrease in loss for the year	**(2,327)**	**2,327**	(2,391)	2,391

Other price risk

Other price risk represents the possibilities of changes in fair value or future cash flows due to changes in market prices other than arising from interest rate risk or currency risk.

The Group is exposed to equity security price risk through its trading investments up to June 2007. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

In the second half of 2007, the Group discontinued the investment activity and no trading investments are held by the Group as at 31st December 2007.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls. In addition, the Group reviews the recoverable amount of each individual receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Company has entered into financial guarantees with banks in respect of banking facilities provided to its subsidiary. The maximum credit risk exposed is the default of banking facilities utilised by the subsidiary. The credit risk is considered minimal as the subsidiary continues to operate with strong financial results and cash flow position. The Company also exposed to the credit risk for the carrying amounts of the respective recognised financial assets as stated in the Company's balance sheet.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. The Group has no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties and clients.

Bank balances are placed in various authorised institutions and the Directors of the Group consider the credit risk for such is minimal.

Liquidity risk

Internally generated cash flow, bank borrowings and loans from ultimate holding company are the sources of funds to finance the operations of the Group and the Company. Majority of the Group's banking facilities are subject to floating rate and are renewable annually. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group and the Company regularly review the major funding positions to ensure adequate financial resources are available in meeting their respective financial obligations.

At 31st December 2007, the Group has available unutilised banking facilities of approximately HK$205,000,000 (2006: HK$170,000,000) and there is no available banking facility for the Company.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2007							
Non-derivative financial liabilities							
Accounts payable	–	47,624	126	–	–	47,750	47,750
Accrued liabilities and other payables	–	12,329	79	18,471	1,840	30,879	30,879
Amount due to ultimate holding company	–	11,662	–	–	–	11,662	11,662
Amounts due to related companies	–	14,138	–	–	–	14,138	14,138
Loans from ultimate holding company	4.51	–	252,810	–	–	252,810	241,900
		85,753	253,015	18,471	1,840	357,239	346,329

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2006							
Non-derivative financial liabilities							
Accounts payable	–	157,260	–	–	–	157,260	157,260
Accrued liabilities and other payables	–	12,273	394	5,488	37	18,192	18,192
Short-term bank borrowings	5.27	49,215	–	–	–	49,215	49,000
Amount due to ultimate holding company	–	18,679	–	–	–	18,679	18,679
Amounts due to fellow subsidiaries	–	15,243	–	–	–	15,243	15,243
Loans from ultimate holding company	5.56	–	255,350	–	–	255,350	241,900
		252,670	255,744	5,488	37	513,939	500,274

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table (continued)

The Company

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2007							
Non-derivative financial liabilities							
Accrued liabilities and other payables	–	224	–	405	–	629	629
Amount due to ultimate holding company	–	–	–	13,594	–	13,594	13,594
Amounts due to subsidiaries	–	231,634	–	–	–	231,634	231,634
Amounts due to related companies	–	3,007	–	–	–	3,007	3,007
Loans from ultimate holding company	4.51	–	252,810	–	–	252,810	241,900
		234,865	252,810	13,999	–	501,674	490,764

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount at balance sheet date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2006							
Non-derivative financial liabilities							
Accrued liabilities and other payables	–	100	–	198	–	298	298
Amount due to ultimate holding company	–	–	–	20,856	–	20,856	20,856
Amounts due to subsidiaries	–	20,217	–	–	–	20,217	20,217
Amounts due to fellow subsidiaries	–	3,011	–	–	–	3,011	3,011
Loans from ultimate holding company	5.56	–	255,350	–	–	255,350	241,900
		23,328	255,350	21,054	–	299,732	286,282

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

7. REVENUES AND SEGMENT INFORMATION

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

	2007	2006
	HK$'000	*HK$'000*
Revenues		
– Brokerage commission from dealing in securities and futures and options contracts	**213,185**	105,186
– Underwriting, sub-underwriting, placing and sub-placing commission	**13,528**	10,077
– Arrangement, management, advisory and other fee income	**13,181**	6,070
– Interest income from clients	**83,853**	61,254
	323,747	182,587
Other income		
Interest income from authorised institutions	**3,265**	1,695
Dividend income	**288**	415
Sundry income	**242**	126
	3,795	2,236
Net gain on trading investments	**2,051**	11,283
Total income	**329,593**	196,106

Primary reporting format – business segments

The Group has been engaged in financial services business and classified the business segments into broking, margin and other financing, and corporate advisory and others. The details of these three business segments are summarised as follows:

(i) the broking segment engages in securities, futures and options broking and dealing;

(ii) the margin and other financing segment engages in the provision of margin financing, commercial loans to corporate customers and money lending services; and

(iii) the corporate advisory and others segment engages in the provision of corporate advisory, placing and underwriting services, proprietary trading and asset management services.

7. REVENUES AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

Year ended 31st December 2007

	Broking	Margin and other financing	Corporate advisory and others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues	213,185	83,853	26,709	–	323,747
Inter-segment sales	–	–	6,445	(6,445)	–
	213,185	83,853	33,154	(6,445)	323,747
Segment results	30,841	26,197	5,554	–	62,592
Unallocated income					36,900
Unallocated costs					(37,384)
Profit before taxation					62,108
Taxation charge					(11,750)
Profit for the year					50,358
Segment assets	303,492	573,490	45,717		922,699
Unallocated corporate assets					37,164
					959,863
Segment liabilities	67,912	242,409	4,993		315,314
Unallocated corporate liabilities					39,062
					354,376

	Broking	Margin and other financing	Corporate advisory and others	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:					
Depreciation of property, plant and equipment	778	–	722	125	1,625
Amortisation of trading rights	507	–	–	–	507
Capital expenditures	877	–	806	228	1,911
Impairment of doubtful receivables	–	138	–	–	138

7. REVENUES AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

Year ended 31st December 2006

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenues	105,186	61,254	16,147	–	182,587
Inter-segment sales	–	378	–	(378)	–
	105,186	61,632	16,147	(378)	182,587
Segment results	6,707	14,972	7,174	–	28,853
Unallocated income					22,005
Unallocated costs					(24,412)
Profit before taxation					26,446
Taxation charge					(114)
Profit for the year					26,332
Segment assets	181,097	467,673	39,299		688,069
Unallocated corporate assets					7,158
					695,227
Segment liabilities	172,601	291,228	2,361		466,190
Unallocated corporate liabilities					35,484
					501,674

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information:					
Depreciation of property, plant and equipment	747	–	574	119	1,440
Amortisation of trading rights	506	–	–	–	506
Capital expenditures	1,483	–	523	55	2,061
Impairment of doubtful receivables	–	2,895	85	–	2,980

Inter-segment sales are charged at prevailing market rate.

Secondary reporting format – geographical segments

Year ended 31st December 2007 and 2006

No geographical segment analysis is presented for the years ended 31st December 2007 and 2006 as over 90% of the Group's revenues, segment results and the location of assets during the years ended 31st December 2007 and 2006 are derived from or located in Hong Kong.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	*HK$'000*
Staff commission	**117,455**	56,766
Wages and salaries	**46,574**	27,586
Staff welfare	**1,754**	1,027
Recruitment costs	**305**	518
Unutilised annual leave	**1,492**	1,283
Pension costs – contributions to defined contribution plans	**1,156**	1,056
Forfeiture of pension contributions	**(45)**	(182)
Recognition of equity-settled share-based payment	**1,002**	419
	169,693	88,473

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

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme.

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

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to the Directors of the Company are as follows:

	Ho, Lawrence Yau Lung	Dr. Lee Jun Sing	Sham Sui Leung, Daniel	Dr.Tyen Kanhee, Anthony	Attorney Patajo – Kapunan, Lorna	Sun, Patrick	Chu, Ho Miu Hing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Fees	–	–	195	195	145	–	170	705
Other emoluments								
Salaries and other benefits	600	–	–	–	–	3,311	–	3,911
Retirements benefits scheme contribution	12	–	–	–	–	12	–	24
Share-based payment	–	–	–	–	–	1,002	–	1,002
Total emoluments	612	–	195	195	145	4,325	170	5,642

	Ho, Lawrence Yau Lung	Dr. Lee Jun Sing	Sham Sui Leung, Daniel	Dr.Tyen Kanhee, Anthony	Attorney Patajo – Kapunan, Lorna	Sun, Patrick	Chu, Ho Miu Hing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006								
Fees	–	32	195	195	170	–	2	594
Other emoluments								
Salaries and other benefits	600	–	–	–	–	1,128	–	1,728
Retirements benefits scheme contribution	12	–	–	–	–	5	–	17
Share-based payment	–	–	–	–	–	419	–	419
Total emoluments	612	32	195	195	170	1,552	2	2,758

During the year ended 31st December 2007, there was no option granted to the Directors of the Company (2006: 2,400,000) in respect of their services provided to the Group, further details of which are set out in note 28 to the consolidated financial statements.

During the two years ended 31st December 2007 and 31st December 2006, no Directors waived or agreed to waive any emoluments. No emoluments has been paid to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group, one (2006: one) of them was director. The details of the emoluments payable to these five individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**11,106**	7,752
Retirement benefits scheme contribution	**60**	60
	11,166	7,812

The emoluments of the above individuals fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**2**	3
HK$2,000,001 – HK$2,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**–**	–
More than HK$3,000,000	**1**	–

10. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Interests on bank loans and overdrafts wholly repayable within five years	**29,569**	21,827
Interests on loans from ultimate holding company	**13,706**	13,267
	43,275	35,094

11. PROFIT BEFORE TAXATION

	2007 *HK$'000*	2006 *HK$'000*
Profit before taxation is stated after (crediting) and charging the following:		
Auditor's remuneration	**1,193**	980
Operating leases in respect of land and buildings	**4,851**	4,405
Net exchange gain	**(477)**	(315)
Impairment of doubtful receivables	**138**	2,980

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement represents:

	2007 *HK$'000*	2006 *HK$'000*
Current taxation		
– Hong Kong Profits Tax	**10,069**	1,400
Deferred taxation	**1,681**	(1,286)
	11,750	114

12. TAXATION (continued)

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**62,108**	26,446
Calculated at Hong Kong Profits Tax rate of 17.5%	**10,869**	4,628
Income not subject to taxation	**(602)**	(272)
Expenses not deductible for taxation purposes	**1,151**	506
Utilisation of previously unrecognised tax losses	**(454)**	(5,971)
Unrecognised deferred tax assets arising from estimated tax losses	**1,314**	590
Others	**(528)**	633
Taxation charge	**11,750**	114

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31st December 2007 (2006: Nil).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2007 HK$'000	2006 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**50,358**	26,332

	2007 '000	2006 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**296,778**	252,064
Effect of dilutive potential ordinary shares:		
Share options	**6,722**	5,519
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**303,500**	257,583

15. GOODWILL

	HK$'000
COST	
At 1st January 2006	9,622
Reduction of goodwill due to utilisation of per-acquisition tax losses	(1,471)
At 1st January 2007 and 31st December 2007	8,151

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the amount is solely relating to the cash generating unit ("CGU") by its primary reporting segment, corporate advisory and others.

During the year ended 31st December 2007, management of the Group determines that there is no impairment of the CGU containing goodwill.

The basis of the recoverable amount of the CGU and the major underlying assumptions of the CGU are the same and are summarised below:

The recoverable amount of the CGU has been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a discount rate of 12.57% (2006: 8.24%). Another key assumption is the budgeted revenue, which is determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

16. TRADING RIGHTS

	HK$'000
COST	
At 1st January 2006, 1st January 2007 and 31st December 2007	5,066
AMORTISATION	
At 1st January 2006	2,787
Provided for the year	506
At 1st January 2007	3,293
Provided for the year	507
At 31st December 2007	3,800
CARRYING VALUE	
At 31st December 2007	1,266
At 31st December 2006	1,773

Trading rights are amortised over 10 years from 6th March 2000, the effective day of the merger of the SEHK, HKFE and Hong Kong Securities Clearing Company Limited.

17. PROPERTY, PLANT AND EQUIPMENT

	The Group			
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st January 2006	4,315	7,722	8,272	20,309
Additions	416	294	1,351	2,061
Disposals	–	–	(2)	(2)
Exchange difference	11	7	9	27
At 31st December 2006	4,742	8,023	9,630	22,395
Additions	909	462	540	1,911
Written off	–	(103)	(418)	(521)
Exchange difference	–	11	18	29
At 31st December 2007	5,651	8,393	9,770	23,814
DEPRECIATION				
At 1st January 2006	3,756	7,004	7,708	18,468
Charge for the year	434	477	529	1,440
Disposals	–	–	(2)	(2)
Exchange difference	11	7	8	26
At 31st December 2006	4,201	7,488	8,243	19,932
Charge for the year	652	275	698	1,625
Written off	–	(103)	(418)	(521)
Exchange difference	–	11	17	28
At 31st December 2007	4,853	7,671	8,540	21,064
CARRYING VALUES				
At 31st December 2007	798	722	1,230	2,750
At 31st December 2006	541	535	1,387	2,463

The property, plant and equipment are depreciated at the following rates per annum:

Leasehold improvements	Over the lease term not exceeding three years
Furniture, fixtures and equipment	20-25%
Computer equipment and software	25-33$^{1}/_{3}$%

18. DEFERRED TAX ASSETS

	Estimated tax losses HK$'000
At 1st January 2006	1,495
Credited to consolidated income statement for the year *(note 12)*	1,286
At 1st January 2007	2,781
Charged to consolidated income statement for the year *(note 12)*	(1,681)
At 31st December 2007	1,100

As at 31st December 2007, the Group and the Company have estimated unused tax losses of HK$131,586,000 and HK$46,200,000 (2006: HK$136,275,000 and HK$47,723,000) respectively to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statements in respect of HK$6,286,000 (2006: HK$15,900,000) to the extent that realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses approximately HK$125,300,000 (2006: HK$120,375,000) for the Group and HK$46,200,000 (2006: HK$47,723,000) for the Company were not recognised as deferred tax asset as it is uncertain whether sufficient future profits or taxable temporary differences will be available in the future to offset the amount. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

19. OTHER INTANGIBLE ASSETS

	HK$'000
COST	
At 1st January 2006, 1st January 2007 and 31st December 2007	1,839
IMPAIRMENT	
At 1st January 2006, 1st January 2007 and 31st December 2007	1,292
CARRYING VALUE	
At 31st December 2007 and 31st December 2006	547

Other intangible assets represent club memberships with indefinite useful lives and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts based on fair value less costs to sell. The fair value is determined using an observable market price and no indication of impairment was noted during the year.

20. ACCOUNTS RECEIVABLE

	2007 *HK$'000*	2006 *HK$'000*
The Group		
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**31,317**	49,199
Cash clients	**211,099**	232,231
Margin clients	**370,907**	305,511
– Futures and options contracts transactions		
Brokers	**26**	136
HKCC	**56**	43
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note b)*	**1,488**	1,116
	614,893	588,236

The Group has procedures and policies to assess the potential client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the clients' credit worthiness.

The credit quality of accounts receivable are summarized as follows:

	2007 *HK$'000*	2006 *HK$'000*
Neither past due nor impaired	**538,732**	568,414
Past due but not impaired *(Note c)*	**54,544**	8,728
Impaired *(Note d)*	**34,841**	24,180
	628,117	601,322
Less: Allowance for impairment *(Note d)*	**(13,224)**	(13,086)
	614,893	588,236

The accounts receivable with a carrying amount of HK$538,732,000 (2006: HK$568,414,000) are neither past due nor impaired at the balance sheet date for which the Group believes that the amounts are considered recoverable.

20. ACCOUNTS RECEIVABLE (continued)

Notes:

(a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are within 30 days.

Accounts receivable due from cash clients are secured by clients' pledged securities at fair values of approximately HK$1,117,749,000 (2006: HK$474,043,000). No collateral held can be repledged by the Group and the collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients.

Accounts receivable due from margin clients are included in *Neither past due nor impaired* as these accounts have no specific maturity date. The accounts receivable are secured by clients' pledged securities at fair values of approximately HK$2,206,608,000 (2006: HK$2,435,797,000), repayable on demand and bear interest at commercial rates. The decision of rate changes is on management's discretion. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients.

In respect of these accounts receivable except for those due from margin clients, the aging analysis is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**186,196**	270,544
31 – 90 days	**51,230**	6,853
Over 90 days	**5,072**	4,212
	242,498	281,609

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

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**580**	741
31 – 90 days	**79**	90
Over 90 days	**829**	285
	1,488	1,116

20. ACCOUNTS RECEIVABLE (continued)

Notes: (continued)

(c) Included in *Past due but not impaired* are accounts receivable due from clients which are past due at the balance sheet date for which the Group has not provided for any impairment loss.

For cash client receivables which are past due but not impaired amounting approximately HK$53,636,000 (2006: HK$8,179,000), no impairment loss was provided as the amounts are considered recoverable at the balance sheet date as the Group holds securities collateral for these balances with fair values over the past due amounts over the relevant carrying amounts.

The remaining balance of account receivables which are past due but not impaired are those from provision of corporate advisory, placing and underwriting services amounting approximately HK$908,000 (2006: HK$549,000), the Group has not provided for any impairment loss as the debtors are with good credit quality and there are on-going projects with the Group. The extent of delay of these repayments is considered normal in the corporate advisory industry.

In respect of accounts receivable which are past due but not impaired at the respective balance sheet date, the aging analysis is as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Past due up to 30 days	**–**	–
Past due 31 – 90 days	**48,680**	7,014
Past due over 90 days	**5,864**	1,714
Total	**54,544**	8,728

(d) The Group has policy for allowance for doubtful debts which is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement including the creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for doubtful debts:

	2007 ***HK$'000***	2006 *HK$'000*
Balance at beginning of the year	**13,086**	10,191
Additional provisions	**138**	2,980
Amounts written off as uncollectible	**–**	(85)
Balance at end of the year	**13,224**	13,086

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

21. OTHER FINANCIAL ASSETS AND LIABILITIES

Deposits and other receivables

The amounts represent non trade-related deposits and other receivables which are non interest-bearing and are expected to be settled within one year.

Amounts due from/to fellow subsidiaries/related companies

The amounts are resulted from the normal course of operations. They are non-interest bearing, unsecured, repayable on demand and in general aged less than a year.

During the year, Melco Financial Group Limited ceased to have control over the Company and as a result the subsidiaries of Melco Financial Group Limited are no longer the fellow subsidiaries of the Company and they are named as related companies as of 31st December 2007.

Amount due to ultimate holding company

The amount is resulted from short term financing. It is non-interest bearing, unsecured, repayable on demand.

Bank balance and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.01% to 3.75% (2006: 0.01% to 3.64%) to the whole group with an original maturity of three months or less.

In the course of the conduct of the regulated activities of its ordinary business, the Group acts as a trustee that results in the holding of client's monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated balance sheet. As at 31st December 2007, the Group maintained segregated account with HKFE Clearing Corporation Limited ("HKCC") and the authorised institutions in conjunction with its future and brokerage businesses as a result of its normal business transactions with amounts of approximately HK$4,962,000 (2006: HK$2,697,000) and HK$416,250,000 (2006: HK$551,852,000) respectively, which are not otherwise dealt with in the consolidated financial statements.

Loans from ultimate holding company

The loans from ultimate holding company are for operation need. The loans are unsecured and bear interest at prime rate minus 2% per annum or HIBOR plus 1.25% to 2% per annum. The loans from the ultimate holding company are repayable upon written notice given from the ultimate holding company.

22. TRADING INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group		
Trading investments		
Listed equity securities, at market value	–	14,441

No trading investment is held as at 31st December 2007, which that of last year represents equity securities listed in Hong Kong.

23. ACCOUNTS PAYABLE

	2007	2006
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*:		
– Cash clients *(Note b)*	**43,996**	150,489
– Margin clients	**3,628**	6,771
Accounts payable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note c)*	**126**	–
	47,750	157,260

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

(b) No outstanding balance of accounts payable to cash clients was due to companies with common directors as at 31st December 2007 (2006: HK$7,442,000) and HK$37,000 (2006: HK$345,000) of accounts payable was due to key management personnel, directors and close family members of directors, in respect of transactions in securities undertaken for their accounts.

(c) Accounts payable arising from corporate advisory, placing and underwriting services were aged within 30 days.

24. SHORT-TERM BANK BORROWINGS

There are no outstanding bank borrowings as at 31st December 2007 (2006: HK$49,000,000 repayable on demand and partially secured by a charge over certain marketable securities from margin clients). The Company also provided corporate guarantees for the facilities. The interest rates for the loans are at market rate, thus exposing the Group to cash flow interest rate risk.

25. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each	
	No. of shares	Amount
		HK$'000
At 31st December 2006 and 31st December 2007	10,000,000,000	1,000,000

	Issued and full paid Ordinary shares of HK$0.1 each	
	No. of shares	Amount
		HK$'000
At 1st January 2006	249,641,226	24,964
Exercise of share options	4,098,953	410
At 31st December 2006	253,740,179	25,374
Issue of shares	111,680,000	11,168
Exercise of share options	4,537,272	454
At 31st December 2007	369,957,451	36,996

In July 2007 and September 2007, the Company issued and allotted a total of 50,680,000 and 61,000,000 shares of HK$2.2 and HK$4.2 each respectively to independent third parties.

26. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**10**	10

Amounts due from subsidiaries (non-current):

Included in the amounts are loans to subsidiaries of HK$50 million (2006: HK$50 million) which are unsecured, interest-bearing at prime rate minus 2% per annum. The Company does not expect to demand for repayment for the amount in the next 12 months from the balance sheet date.

Amounts due from subsidiaries (current):

Including in the amounts are loans to subsidiaries of HK$487.9 million (2006: HK$120 million) which are unsecured, interest-bearing at prime minus 2% per annum or HIBOR plus 0.2% to 2% per annum and repayable on demand, while the remaining are amounts due from subsidiaries which are unsecured, interest free and repayable on demand. All amounts are expected to be recovered within 12 months.

Amounts due to subsidiaries:

Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

The following is a list of the principal subsidiaries of the Group as at 31st December 2007:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held
VC Financial Group Limited [1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
VC Brokerage Limited [2]	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	330,000,000 ordinary shares of HK$1 each	100%
VC Futures Limited [2]	Hong Kong	Provision of futures and options contracts dealing services in Hong Kong	30,000,000 ordinary shares of HK$1 each	100%

26. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held
VC Capital Limited [2]	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	20,000,000 ordinary shares of HK$1 each	100%
VC Capital (Shenzhen) Limited [2]	PRC	Provision of consultancy services in the PRC	Registered capital of HK$1,000,000	100%
VC Securities Investments Limited [2]	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
VC Asset Management Limited [2]	Hong Kong	Provision of asset management services to clients in Hong Kong	15,000,000 ordinary shares of HK$1 each	100%
VC Investment Management Limited [2]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
VC Finance Limited [2]	Hong Kong	Money lending in Hong Kong	1,000,000 ordinary shares of HK$1 each	100%
VC Research Limited [2]	Hong Kong	Provision of research services in Hong Kong	500,000 ordinary shares of HK$1 each	100%
VC Financial Advisory (Macau) Limited [2]	Macau	Provision of financial consultancy and related services in Macau	2 quota shares of MOP$24,000 and MOP$1,000 each	100%
VC Services Limited [1]	Hong Kong	Provision of management services to group companies in Hong Kong	10,000 ordinary shares of HK$1 each	100%
VC Strategic Investments Limited [1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%

1 Shares held directly by the Company
2 Shares held indirectly by the Company

None of the subsidiaries had issued any debt securities at the end of the year.

27. RESERVES

The company

	Share option reserve HK$'000	Share premium HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	–	6,468	123,758	9,868	140,094
Loss for the year	–	–	–	(1,409)	(1,409)
Recognition of equity-settled share-based payment	419	–	–	–	419
Exercise of share options	–	2,609	–	–	2,609
Share issue expenses	–	(3)	–	–	(3)
At 1st January 2007	419	9,074	123,758	8,459	141,710
Loss for the year	–	–	–	(2,898)	(2,898)
Issue of shares	–	356,528	–	–	356,528
Recognition of equity-settled share-based payment	1,002	–	–	–	1,002
Transfer to share premium upon exercise of share options	(405)	405	–	–	–
Exercise of share options	–	3,071	–	–	3,071
Share issue expenses	–	(12,773)	–	–	(12,773)
At 31st December 2007	1,016	356,305	123,758	5,561	486,640

Capital reserve was arisen from the Company's capital reorganisation effective on 28th May 2003.

28. SHARE OPTIONS

The Company offered the Share Option Scheme under which options are granted to employees of the Group in recognising their contributions and in retaining employees who will continue to make valuable contribution to the Group.

The Share Option Scheme ("Share Option Scheme") was adopted by the Company on 29th November 2001 (which superseded the previous share option scheme of the Company adopted on 14th March 2001).

As at 31st December 2007, options to subscribe for an aggregate of (1) 1,385,569, (2) 4,482,500 and (3) 2,400,000 underlying Shares granted on 9th July 2002, 25th March 2004 and 27th December 2006 ("Share Options") pursuant to the Share Option Scheme at an exercise price of HK$1.00 per share, HK$0.64 per share and HK$1.292 per share respectively were outstanding, which in total represents approximately 2.23% (2006: 5.05%) of the shares of the Company in issue as at 31st December 2007. The adjusted closing price of the Company's shares immediately before 9th July 2002 and the closing prices of the Company's shares immediately before 25th March 2004 and 27th December 2006 were HK$0.65, HK$0.64 and HK$1.24 per share respectively. The Share Options have a duration of 10 years from the date of grant, i.e. between 9th July 2002 to 8th July 2012, between 25th March 2004 to 24th March 2014 and between 27th December 2006 to 26th December 2016 respectively. According to the Share Option Scheme, any Share Options granted shall lapse upon the expiration of 3 months after the relevant grantee ceases to be employed (if applicable) by the Group and its related companies.

28. SHARE OPTIONS (continued)

During the year ended 31st December 2007, certain Share Options to subscribe for a total of 9,821 (2006: 349,552) underlying Shares granted to 1 employee (2006: 3 employees) lapsed as the relevant employees failed to exercise those share options within 3 months after the relevant employees ceased to be the employees of the Group. During the year ended 31st December 2007, certain Share Options to subscribe for a total of 741,773, 3,140,565 and 654,934 underlying shares at an exercise price of HK$1.0, HK$0.64 and HK$1.18 per share respectively granted to a total of 15 employees were exercised (2006: 20 employees). Since the date of the grant of the Share Options up to 31st December 2007 and 31st December 2006, none of the Share Options were cancelled. Movements in the number of Share Options outstanding during the year are as follows:

2007

Categories of grantees	Grant date of options	Exercise price per share	Balance as at 1st January 2007	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31st December 2007
Directors of the Company	9th July 2002	HK$1.00	982,114	–	–	–	–	982,114
Directors of the Company	27th December 2006	HK$1.292	2,400,000	–	–	–	–	2,400,000
Employees	9th July 2002	HK$1.00	24,942	–	–	–	–	24,942
Employees	25th March 2004	HK$0.64	5,723,065	–	–	(2,210,565)	–	3,512,500
Employees	15th March 2006	HK$1.18	654,934	–	–	(654,934)	–	–
Other eligible persons	9th July 2002	HK$1.00	1,130,107	–	–	(741,773)	(9,821)	378,513
Other eligible persons	25th March 2004	HK$0.64	1,900,000	–	–	(930,000)	–	970,000
			12,815,162	–	–	(4,537,272)	(9,821)	8,268,069

2006

Categories of grantees	Grant date of options	Exercise price per share	Balance as at 1st January 2006	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31st December 2006
Directors of the Company	9th July 2002	HK$1.00	982,114	–	–	–	–	982,114
Directors of the Company	27th December 2006	HK$1.292	–	–	2,400,000	–	–	2,400,000
Employees	9th July 2002	HK$1.00	694,842	–	–	(645,348)	(24,552)	24,942
Employees	25th March 2004	HK$0.64	8,900,565	–	–	(2,852,500)	(325,000)	5,723,065
Employees	15th March 2006	HK$1.18	–	–	654,934	–	–	654,934
Other eligible persons	9th July 2002	HK$1.00	1,581,212	–	–	(451,105)	–	1,130,107
Other eligible persons	25th March 2004	HK$0.64	2,050,000	–	–	(150,000)	–	1,900,000
			14,208,733	–	3,054,934	(4,098,953)	(349,552)	12,815,162

In respect of the share options exercised during the year, the weighted average share price before the share options being exercised is HK$5.09 (2006: HK$2.18).

28. SHARE OPTIONS (continued)

During the year ended 31st December 2007, no option was granted. The estimated fair values of the options granted on 15th March 2006 and 27th December 2006 were approximately HK$405,000 and HK$1,746,000 respectively. Share options granted on 15th March 2006 were fully vested at grant date. The vesting period of share options granted on 27th December 2006 is from one to three years.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share option grant date			
	15th March 2006	27th December 2006		
Market price at date of grant	HK$1.18	HK$1.19	HK$1.19	HK$1.19
Exercise price	HK$1.18	HK$1.292	HK$1.292	HK$1.292
Expected volatility	139.45%	100.32%	100.32%	100.32%
Expected life	1 year	2 years	3 years	4 years
Risk-free rate	4.15%	3.527%	3.602%	3.656%
Vesting period	N/A	1 year	2 years	3 years

Expected volatility for the options granted on 15th March 2006 and 27th December 2006 was determined by using the historical volatility of the Company's share price over the previous 250 days and 260 days respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restrictions and behavioural considerations. The Group recognised the total expense of approximately HK$1,002,000 for the year ended 31st December 2007 (2006: HK$419,000) in relation to share options granted by the Company.

29. FINANCIAL GUARANTEE

As at 31st December 2007, the Company has given financial guarantees to banks in respect of banking facilities provided to VC Brokerage Limited amounting to HK$160 million (2006: HK$140 million). At 31st December 2007, no banking facilities was utilised by VC Brokerage Limited (2006: HK$49 million). The fair value of the financial guarantee contracts is immaterial.

30. COMMITMENTS

(a) Capital commitments

At 31st December 2007, the Group and the Company did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (2006: Nil).

(b) Commitments under operating leases

At 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2007	2006
	HK$'000	*HK$'000*
Not later than one year	**6,743**	5,991
Later than one year and not later than five years	**1,612**	6,978
	8,355	12,969

Operating lease payments represent rentals payable by the Group for certain of its office properties. Rentals are fixed for lease terms of 2 to $3^1/_3$ years in both years..

At 31st December 2007 and 31st December 2006, the Company does not have other operating lease commitments.

31. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions:

The Group

	2007	2006
	HK$'000	*HK$'000*
Rental paid to fellow subsidiaries	**67**	50
Technical, network and other service fees charged by fellow subsidiaries	**2,582**	3,564
Purchases of computer hardware and software from fellow subsidiaries	**–**	750
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**233**	125
Brokerage commission income earned from a company with common directors	**–**	2,245
Interest expenses charged on loans from ultimate holding company	**13,706**	13,267
Management fee paid to a fellow subsidiary	**–**	3,600
Financial advisory and arrangement fees charged to ultimate holding company	**640**	550

The balances with related parties are set out on the consolidated balance sheet and in the respective notes.

The Company

	2007	2006
	HK$'000	*HK$'000*
Interests expense charged on loans from ultimate holding company	**13,706**	13,267

The balances with related parties are set out on the balance sheet of the Company and in the respective notes.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

The Group

	2007	2006
	HK$'000	*HK$'000*
Short term benefits	**13,057**	9,400
Share-based payments	**1,002**	419
	14,059	9,819

31. RELATED PARTY TRANSACTIONS (continued)

The company

	2007	2006
	HK$'000	*HK$'000*
Short term benefits	**705**	593
Share-based payments	**1,002**	419
	1,707	1,012

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. POST BALANCE SHEET EVENT

On 28th September 2007, the Company has entered into an agreement with Hongkong Chinese Limited in relation to the acquisition of 60% interest in the issued share capital and 60% nominal of the shareholder loan of Winwise Holdings Limited and as a result the Company will obtain controlling interest in The Macau Chinese Bank Limited. The aggregate consideration of the transactions is approximately HK$384 million. On 27th December 2007, the Company announced that the conditions to completion of the acquisition have not been all fulfilled and the Company and Hongkong Chinese Limited have agreed to extend the date by which the conditions to the agreement shall have been fulfilled to 29th February 2008. On 1st March 2008, the Company announced that it is agreed with Hongkong Chinese Limited that the agreement will not be extended further and therefore lapsed.

Five Years'/Periods' Financial Summary

A summary of the results and of the asset and liabilities of the Group of the past five financial years/periods is set out below:

	Year ended 31st December 2007	Year ended 31st December 2006	Year ended 31st December 2005	Year ended 31st December 2004	Period from 1st October 2002 to 31st December 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)		
Results					
Revenues	**323,747**	182,587	115,986	163,257	126,159
Profit/(loss) attributable to equity holders of the parent	**50,358**	26,332	5,108	29,307	(31,936)
Assets and liabilities					
Total assets	**959,863**	695,227	462,449	434,281	424,531
Total liabilities	**(354,376)**	(501,674)	(298,484)	(282,980)	(301,043)
Minority interests	**–**	–	–	–	–
Total equity	**605,487**	193,553	163,965	151,301	123,488