VC GROUP
滙盈集團

Annual Report 2008

Brokerage · Corporate Finance · Asset Management

Delivering Value Through Excellence

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821
www.vcgroup.com.hk

Corporate Information

Directors

Mr. HO, Lawrence Yau Lung[Δ] *(Chairman)*
Mr. SUN, Patrick[#] *(Chief Executive Officer)*
Mr. TSUI Che Yin, Frank[#]
Dr. LEE Jun Sing[Δ]
Dr. TYEN Kanhee, Anthony[+]
Mr. SHAM Sui Leung, Daniel[+]
Mrs. CHU HO Miu Hing[+]

[#] Executive Director
[Δ] Non-executive Director
[+] Independent Non-executive

Executive Committee

Mr. SUN, Patrick *(Chairman)*
Mr. TSUI Che Yin, Frank
Mr. NG Man Hoi, Paul*
Mr. LAM Cho Ying, Terence Joe*
Mr. CHAU King Fai, Philip*
Dr. TANG Kam Sun, Lawrence*
Mr. KO Kwong Woon, Ivan*

* non-voting co-opted members

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Finance Committee

Mr. SUN, Patrick *(Chairman)*
Mr. TSUI Che Yin, Frank
Mr. NG Man Hoi, Paul*
Dr. TANG Kam Sun, Lawrence*

* non-voting co-opted members

Regulatory Compliance Committee

Mr. SUN, Patrick *(Chairman)*
Dr. TYEN Kanhee, Anthony
Mr. SHAM Sui Leung, Daniel
Mrs. CHU HO Miu Hing

Authorised Representatives

Mr. SUN, Patrick
Mr. TSANG Yuen Wai, Samuel

Company Secretary

Mr. TSANG Yuen Wai, Samuel

Qualified Accountant

Ms. CHOI Suet Yin, Celia

Registered Office

28th Floor,
The Centrium
60 Wyndham Street
Central
Hong Kong

Auditor

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

The Stock Exchange of Hong Kong Limited: 821

Company Homepage/Website

http://www.vcgroup.com.hk

Contents

Chairman's Statement

2008 was a very challenging year with uncertainties in major financial markets around the world. Investor confidence plunged as a result of the US sub-prime mortgage crisis, the global liquidity crunch, the softened Mainland equity market and bankruptcy of the United States and European financial institutions. As a provider of financial services, Value Convergence Holdings Limited (the "Group" or "the Company") was inevitably affected. However, with its solid presence in the Greater China region, sound balance sheet, and premium investment and wealth management products and services, the Group managed to weather the storm and achieved operational breakthroughs.

On 15th August 2008, the Group transferred listing from the Growth Enterprise Market (the "GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The new listing status has boosted the attraction of the Group to institutional and retail investors and increased the trading liquidity of its shares. Additionally, in order to enhance the Group's fee-based revenue stream, we formed with Macquarie Macau (a member of Macquarie Group) an asset management joint venture with the intention of managing either a private equity property development fund or a syndicated property development project, both of which are still work-in-progress and focus on mid to high-end residential properties in Macau.

As a fully-fledged financial services group in the Greater China Region, the Group continues to forge ahead towards the goal of becoming a premier regional financial services group. Improving operational efficiency and enhancing cost control will be our focuses in the coming year in coping with keen competition in the market. We consider that offering innovative products, premium services and expert advice to customers is the key to earning customer trust and investor endorsement. In order to achieve this goal, we will continue to seek to enhance our competitive advantages by employing seasoned professionals and advanced trading technologies.

Looking ahead, the management remains optimistic about the long-term prospects of the Group's financial services business. Although global economic conditions are expected to continue to be gloomy in 2009 with investors being extremely cautious in putting their money in the financial markets, we have confidence in the strength of the Mainland China economy and the solid foundation of the financial service market in Hong Kong. With diverse and premium products and services to offer, a management team armed with strong professional expertise and backing from our major shareholder, Melco International Development Limited (Stock code: 200), we are ready to capture new business opportunities in the rapidly growing financial markets in Greater China, with the ultimate goal of enhancing shareholder value.

On behalf of the Board of Directors, I would like to express my gratitude to our business partners, valued customers and shareholders for their steadfast support in the past year. We also owed it to our dedicated and professional management team and staff for the achievements we made during the year and we hope to be able to continue to count on their devotion to take our business to new heights in the years ahead. As always, we are ready to take on the challenges in front of us. Our concerted efforts will enable us to seize any opportunities that promise to deliver greater returns for our shareholders.

Ho, Lawrence Yau Lung
Chairman

Hong Kong, 23rd March 2009

Management Discussion and Analysis

BUSINESS/FINANCIAL REVIEW

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

The Group

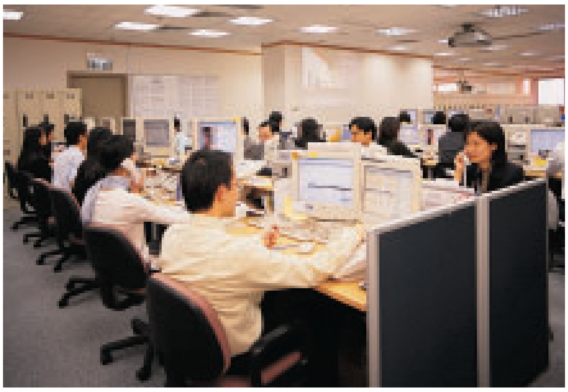
The world economy performed poorly in 2008. In the first half of the year, the Hong Kong stock market was adversely affected by uncertainties in major financial markets around the world resulting from the US sub-prime mortgage crisis, the global liquidity crunch and the softened Mainland equity market. In the second half of 2008, the bankruptcy of Lehman Brothers and some other European financial institutions caused investor confidence to plunge to a low level. This has been particularly evident in the equities market. Affected by poor market sentiments, for the year ended 31st December 2008, the Group's consolidated revenue was approximately HK$129.7 million, a decline of about 60% compared with 2007. Consolidated profit attributable to shareholders decreased by about HK$42.8 million from that of last year to approximately HK$7.6 million for the year under review. In an increasingly competitive marketplace, the Group recognises that its business performance depends very much 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.

The Market

As expected, the Hong Kong stock market performed poorly during the year under review. Starting at 27,632 in the beginning of 2008, the Hang Seng Index ("HSI") closed at 14,387 on 31st December 2008, representing an over 48% fall in the benchmark HSI. Average daily turnover of the Hong Kong stock market was approximately HK$98.7 billion in the first quarter of 2008 and approximately HK$76.1 billion in the second quarter, a decrease of 22.9%. Came the third quarter, the number was down to HK$63.6 billion and in the last quarter, it shrank to approximately HK$50.8 billion.

Brokerage

Reflecting the poor market sentiment, brokerage commission from dealing in securities and futures and options contracts was down notably for the year ended 31st December 2008. Gross commission income dropped by about HK$130.6 million, a 61.2% decrease compared with 2007 and net brokerage commission income was down by 54.5%. Revenue and operating loss from this business area were approximately HK$82.6 million (2007: HK$213.2 million) and HK$8.3 million (2007: operating profit HK$30.8 million) respectively for the year under review.



Management Discussion and Analysis

As for margin and other finance-related businesses, interest income dropped by about 60.2% from HK$83.9 million in 2007 to HK$33.4 million in the review year. However, net proceeds received from the two share placements completed in July and September 2007 had significantly reduced the Group's reliance on external borrowings. As a result, net interest income for the year decreased by 34.9%. Overall, the operating profit generated from margin and other finance-related businesses was HK$18.9 million (2007: HK$26.2 million) for the year under review.

Corporate Finance and Others

Corporate advisory and related businesses, such as underwriting, share placing and asset management, made turnover and operating loss for the year of HK$14.4 million (2007: HK$33.2 million) and HK$3.2 million (2007: operating profit of HK$5.6 million) respectively. The performance was mainly attributable to a lackluster fund raising market during the year.

IPO sponsorships will continue to be a major revenue driver of the division and will create business opportunities in underwriting and share placements for the Group.

Asset Management

In addition to general financial advisory transactions, the Group is determined to enhance its recurring fee-based revenue by growing its asset management business.

During the year, VC Financial Group Limited ("VC Financial"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company ("JV Company"). VC Financial Group and Macquarie Macau agreed to each contribute HK$95 million to the JV Company for acquiring a piece of land in Macau. This piece of land was acquired in September 2008 and the JV intends to bring in third party investors and will work to transform this asset into a private equity real estate fund or a syndicated property development project in the first half of 2009. The Group, in partnership with Macquarie Macau, will act as the manager of the fund or the development project. 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 near future. 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 2008, 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$185.0 million from various banks as at 31st December 2008 (2007: HK$205.0 million) and HK$60.0 million (2007: HK$60.0 million) of which was secured by margin clients' listed securities. As at 31st December 2008, the Group had no outstanding bank borrowing (2007: Nil).

As at 31st December 2008, the Group had borrowed HK$41.9 million (2007: HK$241.9 million) from its major shareholder at HIBOR plus 2% per annum (2007: prime rate minus 2% per annum or HIBOR plus 1.25% – 2% per annum). This loan was fully repaid on 2nd February 2009. The fund was used to finance the expansion of the Group's financial services business, to meet related regulatory capital requirements and strengthen relevant business capabilities.

As at 31st December 2008, the Group's net current assets, cash available and shareholders' funds (other than the trust accounts) amounted to approximately HK$501.3 million (2007: HK$588.7 million), HK$301.9 million (2007: HK$293.4 million) and HK$612.1 million (2007: HK$605.5 million) respectively. Current ratio of the Group, expressed as current asset over current liabilities, was maintained at 7.51 (2007: 2.66).

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

Corporate governance

The Group has in place a Code on Corporate Governance Practices ("Code"), which sets out the corporate standards and practices used by the Group in directing and managing its 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 formalizes the Group's existing corporate governance principles and practices, but has also served 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

During the year, VC Financial entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 JV Company. VC Financial and Macquarie Macau agreed to each contribute HK$95 million to the JV Company for acquiring a piece of land in Macau. The JV Company intends to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property development project in the first half of 2009.

Headcount/Employees' information

As at 31st December 2008, the Group had a total of 114 employees, of whom 112 were stationed in Hong Kong and 2 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK$38 million and HK$43 million respectively for the year ended 31st December 2008 (2007: approximately HK$52.2 million and HK$117.5 million respectively). The Group's employees are selected, remunerated and promoted based on their qualifications, competence and performance merit. In addition to basic salaries and Mandatory Provident Fund Scheme, other benefits include medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programs are also provided to employees on continual basis.

Corporate citizenship

Sharing the same dedication of its major shareholder Melco International Development Limited ("Melco") in contributing to the betterment of the community, the Group has honoring Corporate Social Responsibility as an integral part of its corporate mission. Joining hands with Melco, the Group actively encourages staff members to participate in various voluntary programs including the UNICEF Charity Run 2008 organised by the Hong Kong Committee for UNICEF, the Attention Deficit and Hyperactivity Disorder Project of Heep Hong Society, Green Day of The Community Chest and Walk for Nature 2008 of WWF.

Charges on group assets

As at 31st December 2008, the Group had not charged or pledged any of its assets (2007: Nil).

Gearing ratio

As at 31st December 2008, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loans from a major shareholder) over shareholders' funds, was at 0.07 times (2007: 0.4 times).

Foreign exchange exposure

It is the Group's policy that each operating entity uses local currencies as much as possible in order to minimise exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars. As impact from foreign exchange exposure on the Group is minimal, no hedging against foreign currency exposure is necessary.

Future plans for material investments or capital assets

As at 31st December 2008, the Group had no known plans with regard to material investments or capital assets.

Contingent liabilities

As at 31st December 2008, the Company provided guarantees of HK$160 million to banks in respect of banking facilities granted to its wholly-owned subsidiary, VC Brokerage Limited (2007: HK$160 million).

Management Discussion and Analysis

OUTLOOK

Looking ahead, global recession is expected to continue in 2009 with investors extremely cautious towards investing their money in the financial markets. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial services business. Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Company will continue to enhance its product and service offerings to cater for the diverse and growing needs of customers. 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, with an ultimate goal of enhancing shareholder value.

On 2nd July 2008, the Company submitted an application to the Stock Exchange to transfer listing of all its issued shares of par value HK$0.10 each from GEM of the Stock Exchange to the Main Board of the Stock Exchange (the "Transfer of Listing") pursuant to the new streamlined transfer of listing procedures under Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange effective from 1st July 2008. Subsequent to receiving the approval-in-principle for the Transfer of Listing from the Stock Exchange on 7th August 2008, dealings in the Company's shares on the Main Board commenced at 9:30 a.m. on 15th August 2008. The Board is of the view that the Transfer of Listing has enhanced the profile of the Group making it more attractive to institutional and retail investors and thus increasing the trading liquidity of its shares. With improved ability to raise capital, the Group is confident of its business development and growth prospects in the long run.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. HO, Lawrence Yau Lung

Non-executive Director (Chairman)

Mr. Ho, aged 32, joined the Group in October 2000. Before acting as the Chairman and non-executive director of the Company in April 2008, Mr. Ho served as the President and Vice Chairman and executive director of the Company. He is also a member of the nomination committee and a director of certain subsidiaries of the Company. Within six months of joining the Group, Mr. Ho spearheaded the public listing of the Company on the Growth Enterprise Market of the Hong Kong Stock Exchange. Mr. Ho is currently the Chairman and Chief Executive Officer of Melco International Development Limited ("Melco"), which indirectly holds 43.36% interest of the Company and whose shares are listed on the Hong Kong Stock Exchange. Melco is a dynamic new generation Asian conglomerate focused on leisure and entertainment. Mr. Ho is also a Co-Chairman and Chief Executive Officer of Melco Crown Entertainment Limited, a company listed on the Nasdaq Global Select Market owning one of only six gaming concessions and subconcessions to own and operate gaming business in Macau, and the Chairman of Melco China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada owning two largest premier destination mountain resort properties in the People's Republic of China.

Mr. Ho is a graduate of the University of Toronto, Canada and holds a Bachelor of Arts degree, majoring in commerce. He 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 the Macau SAR Government; 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, 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 as one of the 100 most influential people across Asia Pacific by Asiamoney magazine.

Mr. SUN, Patrick

Executive Director (Chief Executive Officer)

Mr. Sun, aged 50, is the Chief Executive Officer of the Company. He joined the Group in August 2006. He is also the Chairman of the executive committee, finance committee and regulatory compliance committee, a member of the nomination committee and a director of certain subsidiaries of the Company.

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 was an executive director of SW Kingsway Capital Holdings Limited (a company listed on the Hong Kong Stock Exchange), Senior Country Officer of JP Morgan Chase and head of its investment banking business in Hong Kong and group executive director and co-head of investment banking of Jardine Fleming Holdings Limited. He was also an independent non-executive director of The Link Management Limited (as manager of The Link Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange) until July 2007. Mr. Sun is currently an independent non-executive director of Solomon Systech (International) Limited and China Railway Group Limited, all being listed on the Hong Kong 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 Hong Kong Stock Exchange from 1996 to 2002 and was a member of the Council of the Hong Kong 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. Mr. Sun is currently a member of the General Committee of the Chamber of Hong Kong Listed Companies.

Mr. TSUI Che Yin, Frank

Executive Director

Mr. Tsui, aged 51, has been an executive director of the Company since April 2008. He is a member of the executive committee and finance committee and a director of certain subsidiaries of the Company.

Mr. Tsui has more than 28 years of experience in investment and banking, having held senior management positions at various international financial institutions. He is currently an executive director of Melco International Development Limited, which indirectly holds 43.36% interest of the Company and whose shares are listed on the Hong Kong Stock Exchange, a director of Melco China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Mr. Tsui was previously the president of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

Mr. Tsui graduated with a bachelor's and a master's degree in business administration from the Chinese University of Hong Kong and with a law degree from the University of London. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Biographical Details of Directors and Senior Management

Dr. LEE Jun Sing

Non-executive Director

Dr. Lee, aged 62, joined the Group in January 2000 and is one of the founders of the Company. Before acting as a non-executive director of the Company in August 2006, Dr. Lee served as an executive director of the Company. Dr. Lee is currently 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.

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. TYEN Kanhee, Anthony

Independent Non-executive Director

Dr. Tyen, aged 53, joined the Group in September 2004 as an independent non-executive director of the Company. He is also the Chairman of the audit committee and remuneration committee and a member of the nomination committee and regulatory compliance committee of the Company. He is currently an independent non-executive director of Recruit Holdings Limited, a company listed on the Hong Kong Stock Exchange, and an independent director of Elixir Gaming Technologies, Inc., a company listed on the American Stock Exchange.

Dr. Tyen 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 both the Chinese Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. 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.

Mr. SHAM Sui Leung, Daniel

Independent Non-executive Director

Mr. Sham, aged 53, joined the Group in August 2004 as an independent non-executive director of the Company. He is also the Chairman of the nomination committee and a member of the audit committee, remuneration committee and regulatory compliance committee of the Company. Mr. Sham is currently an independent non-executive director of Melco International Development Limited, which indirectly holds 43.36% interest of the Company and whose shares are listed on the Hong Kong Stock Exchange, and AEON Stores (Hong Kong) Co., Limited, a company listed on the Hong Kong Stock Exchange, and an independent director of Elixir Gaming Technologies, Inc., a company listed on the American Stock Exchange.

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 has all-round experience in accounting, auditing and other related works, especially in the fields of corporate finance and securities regulations. 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.

Mrs. CHU HO Miu Hing

Independent Non-executive Director

Mrs. Chu, aged 67, joined the Group in December 2006 as an independent non-executive director of the Company. She is also a member of the audit committee, nomination committee, remuneration committee and regulatory compliance committee of the Company. Mrs. Chu has more than 30 years of experience in securities industry. She 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 Hong Kong Stock Exchange, until 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. She is currently the Vice Chairman of The Chamber of Hong Kong Listed Companies and was a Council Member of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. NG Man Hoi

Chief Operating Officer

Mr. Ng, aged 51, possesses over 23 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

Dr. Tang, aged 49, joined the Group in March 2008. Dr. Tang has over 21 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 (a company listed on the Hong Kong Stock Exchange). 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, a Master's Degree of Applied Finance from Charles Sturt University, Australia and holds the degree of Bachelor of Laws (Honours) from University of Wolverhampton in UK. 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, member of Hong Kong Securities Institute and full member of Hong Kong Society of Registered Financial Planners.

Biographical Details of Directors and Senior Management

Mr. LAM Cho Ying, Terence Joe

Managing Director of VC Brokerage Limited

Mr. Lam, aged 47, joined the Group in April 2004. Mr. Lam has been in the financial industries for more than 23 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

Mr. Chau, aged 47, joined the Group in May 2004. Mr. Chau has over 23 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

Mr. Ko, aged 49, joined the Group in January 2008. Mr. Ko has more than 17 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 Hong Kong Stock Exchange), Chairman & CEO of a mortgage joint venture he set up with major international investors including International Finance Corporation and he 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 the 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.

Corporate Governance Report

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group (Value Convergence Holdings Limited ("VC" or the "Company") and its subsidiaries). The Group is committed to promoting and maintaining the highest standard of 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. We consider good corporate governance to be the cornerstone of a well managed organisation.

CORPORATE GOVERNANCE PRACTICES

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

On 15th August 2008, the Company withdrew the listing of its shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange (the "Transfer of Listing").

The Company has (1) 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 before the Transfer of Listing and (2) applied the principles set out in the HKSE Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") subsequent to the Transfer of Listing, 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 in both the GEM and Main Board Listing Rules throughout the financial year ended 31st December 2008 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.

Corporate Governance Report

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 29th April 2008 (the "2008 AGM") as he had another business engagement. Mr. Ho, Lawrence Yau Lung, one of the directors of the Company (the "Director(s)"), was elected in accordance with the Articles of Association of the Company to act as the chairman of the 2008 AGM and answered questions raised by the shareholders at the meeting. Due to other business engagements which require more of his attention, Dr. Ho Hung Sun, Stanley did not offer himself for re-election as Director at the 2008 AGM and has therefore retired as a Non-executive Director of the Company at the conclusion of the 2008 AGM. He also ceased to act as the Chairman of the Company with effect from 29th April 2008.

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 Chief Executive Officer and the management. Lists of (1) duties and powers delegated to the Company's Chief Executive Officer and matters reserved for decision of the Board and (2) division of responsibilities between the Company's Chairman and Chief Executive Officer are given at the Company's website under the section "Corporate Governance".

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer'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. Sun, Patrick (Chief Executive Officer) and Mr. Tsui Che Yin, Frank; two Non-executive Directors, namely, Mr. Ho, Lawrence Yau Lung (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.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

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. In addition, any Director appointed during the year shall also retire at the forthcoming annual general meeting ("2009 AGM"). This year, Mr. Tsui Che Yin, Frank, Dr. Tyen Kanhee, Anthony and Mr. Sham Sui Leung, Daniel shall retire and they are eligible to offer themselves for re-election at the 2009 AGM. Their biographical details have been set out in a circular to assist shareholders to make an informed decision on their elections.

Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of six meetings during the year ended 31st December 2008. The Chief Financial Officer and the Company Secretary of the Company 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 2008 which illustrate the attention given by the Board in overseeing the Company's affairs:

	No. of meetings attended/held in the year 2008	**Attendance rate**	*Note*
Directors			
Mr. Ho, Lawrence Yau Lung* *(Chairman)*	4/6	66.67%	(1)
Mr. Sun, Patrick# *(Chief Executive Officer)*	6/6	100%	–
Mr. Tsui Che Yin, Frank#	3/4	75%	(2)
Dr. Lee Jun Sing*	6/6	100%	–
Dr. Tyen Kanhee, Anthony+	6/6	100%	–
Mr. Sham Sui Leung, Daniel+	6/6	100%	–
Mrs. Chu Ho Miu Hing+	6/6	100%	–
Ex-directors			
Dr. Ho Hung Sun, Stanley*	0/2	0%	(3)
Attorney Patajo-Kapunan, Lorna*	N/A	N/A	(4)

Executive Director
* Non-executive Director
+ Independent Non-executive Director

Notes:

1. Mr. Ho, Lawrence Yau Lung was elected as the Chairman, re-designated from Executive Director to Non-executive Director and ceased to act as the President and Vice Chairman with effect from 30th April 2008.

2. Mr. Tsui Che Yin, Frank was appointed as Executive Director on 30th April 2008.

3. Dr. Ho Hung Sun, Stanley retired as a Non-executive Director at the 2008 AGM and ceased to act as the Chairman with effect from 29th April 2008.

4. Attorney Patajo-Kapunan, Lorna resigned as Non-executive Director 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 2008.

Securities Dealings by Directors and Relevant Employees

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the year 2008.

The Board has established a "Code of Securities Dealings by Relevant Employees" for the relevant employees of the Company to regulate their dealings in the securities of the Company so as to comply with the code provision A.5.4 of the HKSE Code.

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 the section "Corporate Governance".

(1) Executive Committee

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Sun, Patrick (Chairman) and Mr. Tsui Che Yin, Frank, 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 holds 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 financial statements and published 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 2008, the Audit Committee held a total of three meetings. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2008	**Attendance rate**
Dr. Tyen Kanhee, Anthony *(Chairman)*	3/3	100%
Mr. Sham Sui Leung, Daniel	3/3	100%
Mrs. Chu Ho Miu Hing	3/3	100%

The Audit Committee has reviewed the Company's 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 2008.

(3) Nomination Committee

The Nomination Committee is made up of the Company's Executive Directors, Non-executive Directors and Independent Non-executive Directors, namely Mr. Sham Sui Leung, Daniel (Chairman), Dr. Tyen Kanhee, Anthony, Mrs. Chu Ho Miu Hing, Mr. Ho, Lawrence Yau Lung and Mr. Sun, Patrick. 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.

Corporate Governance Report

During the year 2008, 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 meeting attended/held in the year 2008	**Attendance rate**
Mr. Sham Sui Leung, Daniel *(Chairman)*	1/1	100%
Dr. Tyen Kanhee, Anthony	1/1	100%
Mrs. Chu Ho Miu Hing[Note]	1/1	100%
Mr. Ho, Lawrence Yau Lung	1/1	100%
Mr. Sun, Patrick	1/1	100%

Note Mrs. Chu Ho Miu Hing was appointed as a member of the Nomination Committee 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 2008, 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 2008	**Attendance rate**
Dr. Tyen Kanhee, Anthony *(Chairman)*	1/1	100%
Mr. Sham Sui Leung, Daniel	1/1	100%
Mrs. Chu Ho Miu Hing	1/1	100%
Mr. Sun, Patrick[Note]	1/1	100%
Mr. Ho, Lawrence Yau Lung[Note]	0/1	0%

Note Mr. Ho, Lawrence Yau Lung and Mr. Sun, Patrick have resigned as members of the Remuneration Committee 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 of motivating Directors and employees in the continued pursuit of the Company's goal and objectives and to recognize their contributions to the Group, 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 and two share incentive award schemes, namely, The VC Share Purchase Scheme Trust and The VC Share Award Scheme Trust, under which the Company may grant awarded shares to the Directors/employees.

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 bonus payments to employees of the Group, salary increases for senior management and employees of the Group and the long-term equity grant to the management of the Group.

(5) Finance Committee

The Finance Committee is made up of the Company's Executive Directors, namely, Mr. Sun, Patrick (Chairman) and Mr. Tsui Che Yin, Frank, 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. Sun, Patrick (Chairman), Dr. Tyen Kanhee, Anthony, Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing and members of senior management (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 Listing Rules. It holds meetings from time to time to discuss the ongoing compliance matters of the Group.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditors are set out on page 36.

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 Group 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 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.

Corporate Governance Report

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 2008 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 2008, the Group paid around HK$1,662,600 to its auditors, Deloitte Touche Tohmatsu, for their provision of the audit and non-audit services to the Group. Out of this amount, HK$1,315,000 was for audit services and the balance of HK$347,600 was for non-audit services such as review of cash flow projections of the Group in connection with application for Transfer of Listing, special review of the Group's 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 at least 20 clear business 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 Corporate Communications Department of the Company 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.vcgroup.com.hk 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 at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Directors' Report

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 2008, together with the audited comparative figures for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 25 to the financial statements.

An analysis of the Group's performance for the year ended 31st December 2008 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 2008 are set out in the consolidated income statement on page 38.

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 24 and 27 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2008, the Company's reserve available for distribution to shareholders, calculated under section 79B of the Companies Ordinance, amounted to HK$8,130,000 (2007: HK$5,561,000).

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$194,000.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 92.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of The VC Share Purchase Scheme Trust (the "Share Purchase Scheme") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 3,712,000 shares of the Company. The total amount paid to acquire these shares was HK$4,813,000.

Directors' Report

DIRECTORS

The Directors during the year ended 31st December 2008 and up to the date of this report were:

Mr. HO, Lawrence Yau Lung* *(Chairman)*	(elected as the Chairman, re-designated from Executive Director to Non-executive Director and ceased to act as the President and Vice Chairman with effect from 30th April 2008)
Mr. SUN, Patrick# *(Chief Executive Officer)*	
Mr. TSUI Che Yin, Frank#	(appointed on 30th April 2008)
Dr. LEE Jun Sing*	
Dr. TYEN Kanhee, Anthony+	
Mr. SHAM Sui Leung, Daniel+	
Mrs. CHU Ho Miu Hing+	
Dr. HO Hung Sun, Stanley*	(retired as Non-executive Director at the annual general meeting held on 29th April 2008 and ceased to act as the Chairman with effect from 29th April 2008)
Attorney PATAJO-KAPUNAN, Lorna*	(resigned on 27th February 2008)

Executive Director

* Non-executive Director

+ Independent Non-executive Director

Pursuant to the Article 92 of the Company's Articles of Association, any Director appointed during the year shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In accordance with this provision, Mr. Tsui Che Yin, Frank shall retire at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

Pursuant to 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. Tyen Kanhee, Anthony and Mr. Sham Sui Leung, Daniel shall retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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 the Directors and senior management as at the date of this report are set out on pages 8 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Sun, Patrick has a service contract (as supplemented by a supplemental service contract) with VC Services Limited, a wholly-owned subsidiary of the Company, commencing on 21st August 2006, which may be terminated by either party by written notice of not less than three months.

Save as disclosed above, as at 31st December 2008, 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 30 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 2008 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 a share option scheme (terminated on 15th August 2008 due to the withdrawal of the listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange) and two share incentive award schemes as an incentive to Directors and employees. Details of movements of the share options and awarded shares granted to the Directors and employees during the year are set out in the sections of "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS", "SHARE OPTION SCHEME" and "SHARE AWARD SCHEMES" in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as for the share option scheme and the share award schemes, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st December 2008, 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 (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) 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 the Director is taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Approximate % of issued share capital
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	Corporate	165,163,008 *(Note 2)*	44.50%
Dr. Lee Jun Sing	Held by controlled corporations	Corporate	6,299,702 *(Note 3)*	1.70%
Mr. Sun, Patrick	Beneficial owner	Personel	420,000	0.11%

Notes:

1. As at 31st December 2008, the total number of issued shares of the Company was 371,169,772.

2. Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 shares of the Company as a result of him being beneficially interested in approximately 34.06% of the issued share capital of Melco International Development Limited which in turn holds approximately 43.36% of the issued share capital of the Company; and (ii) 4,232,627 shares of the Company 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.

3. Dr. Lee Jun Sing is taken to be interested in 6,299,702 shares of the Company 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.

(ii) Long positions in the underlying shares of equity derivatives of the Company

(a) Share options granted to the Directors pursuant to the Share Option Scheme adopted by the Company on 29th November 2001

	Number of share options							
Name of Director	Outstanding at 01.01. 2008	Granted during the year	Exercised during the year	Outstanding at 31.12.2008	Approximate % of issued share capital	Date of grant	Expiry date	Exercise price *HK$*
Mr. Ho, Lawrence Yau Lung	491,057	–	–	491,057	0.13%	09.07.2002	08.07.2012	1.00
Dr. Lee Jun Sing	491,057	–	–	491,057	0.13%	09.07.2002	08.07.2012	1.00
Mr. Sun, Patrick	2,400,000	–	–	2,400,000	0.65%	27.12.2006	26.12.2016	1.292

Notes:

1. As at 31st December 2008, the total number of issued shares of the Company was 371,169,772.

2. These share options represent personal interest held by the relevant directors as beneficial owners.

3. Details of the Share Option Scheme are set out under the section of "SHARE OPTION SCHEME" in this report.

4. During the year, no share options mentioned above were lapsed or cancelled.

(b) Shares awarded to a Director pursuant to The VC Share Purchase Scheme Trust adopted by the Company on 31st March 2008

	Number of awarded shares						
Name of Director	Outstanding at 01.01.2008	Awarded during the year	Vested during the year	Outstanding at 31.12.2008	Approximate % of issued share capital	Date of award	Vesting date
Mr. Sun, Patrick	–	420,000	(420,000)	–	–	18.08.2008	18.08.2008
	–	420,000	–	420,000	0.11%	18.08.2008	01.04.2009
	–	420,000	–	420,000	0.11%	18.08.2008	01.04.2010

Notes:

1. As at 31st December 2008, the total number of issued shares of the Company was 371,169,772.

2. These awarded shares represent personal interest held by the director as beneficial owner.

3. Details of The VC Share Purchase Scheme Trust are set out under the section of "SHARE AWARD SCHEMES" in this report.

4. During the year, no awarded shares mentioned above were lapsed or cancelled.

Save as disclosed above, as at 31st December 2008, 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 had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31st December 2008, none of the Directors or their respective associates have any competing interests in any business, which compete or may compete, either directly or indirectly with the businesses of the Company pursuant to the Listing Rules.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December 2008, other than the interests of the directors or chief executive of the Company as disclosed above, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares of the Company

Name	**Capacity**	**Number of ordinary shares held**	**Approximate % of issued share capital**	*Note*
Melco Financial Group Limited	Beneficial owner	160,930,381	43.36%	(2)
Melco International Development Limited	Held by controlled corporations	160,930,381	43.36%	(2)
Ms. Lo Sau Yan, Sharen	Family interest	165,654,065	44.63%	(3)
ASM Asia Recovery (Master) Fund	Beneficial owner	23,500,000	6.33%	(4)
Argyle Street Management Limited	Investment manager	27,000,000	7.27%	(4)
Argyle Street Management Holdings Limited	Held by controlled corporations	27,000,000	7.27%	(4)
Mr. Chan Kin	Held by controlled corporations	27,000,000	7.27%	(4)

Notes:

1. As at 31st December 2008, the total number of issued shares of the Company was 371,169,772.

2. Melco International Development Limited ("Melco") is taken to be interested in 160,930,381 shares of the Company 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 of the Company in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.

4. 23,500,000 shares of the Company 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, is indirectly interested in an aggregate of 27,000,000 shares of the Company. 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 of the Company held by ASM.

Save as disclosed herein, as at 31st December 2008, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 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 "GEM Share Option Scheme") which superseded the previous share option scheme of the Company adopted on 14th March 2001. Pursuant to the GEM 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 GEM Share Option Scheme was conditionally terminated by the Board on 7th August 2008. Upon the listing of shares of the Company was transferred from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange on 15th August 2008, the termination of the GEM Share Option Scheme became effective. Thereafter, no further options may be offered or granted under the GEM Share Option Scheme. Pursuant to the GEM Share Option Scheme, options previously granted but unexercised under the GEM Share Option Scheme will remain valid and exercisable in accordance with their terms of issue. The Board has recommended to the shareholders of the Company for approval of a new share option scheme which complies with the Listing Rules at the forthcoming annual general meeting.

Summary of the GEM Share Option Scheme

The purpose of the GEM 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 GEM 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 of the Company (the "Shares") that may be issued pursuant to the exercise of all outstanding options granted under the GEM 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 GEM 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 GEM 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 and 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 GEM 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.

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 quotations 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 quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share on the date of the offer of an option.

Movements of the share options, which were granted under the GEM Share Option Scheme, during the year are as follows:

Category	Number of share options: Outstanding at 01.01.2008	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31.12. 2008	Date of grant	Share options duration	Exercise price *HK$*
Directors[1]	982,114	–	–	–	982,114	09.07.2002	09.07.2002 to 08.07.2012	1.00
Directors[2]	2,400,000	–	–	–	2,400,000	27.12.2006	27.12.2006 to 26.12.2016	1.292
Employees[1]	24,942	–	–	–	24,942	09.07.2002	09.07.2002 to 08.07.2012	1.00
Employees[1]	3,512,500	–	(1,082,500)	–	2,430,000	25.03.2004	25.03.2004 to 24.03.2014	0.64
Others[1]	378,513	–	(9,821)	–	368,692	09.07.2002	09.07.2002 to 08.07.2012	1.00
Others[1]	970,000	–	(120,000)	–	850,000	25.03.2004	25.03.2004 to 24.03.2014	0.64
Total	**8,268,069**	**–**	**(1,212,321)**	**–**	**7,055,748**			

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

Details of the grant of share options to the Directors are disclosed in the sub-section headed "Long positions in the underlying shares of equity derivatives of the Company" under the section of "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS" above.

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$1.46.

SHARE AWARD SCHEMES

On 31st March 2008, the Company adopted two share incentive award schemes, namely The VC Share Purchase Scheme Trust (the "Share Purchase Scheme") and The VC Share Award Scheme Trust (the "Share Subscription Scheme").

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company (the "Subsidiary"). The Shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group.

A summary of the principal terms of the Share Purchase Scheme and Share Subscription Scheme and movements of the awarded shares under these schemes are set out below:

(i) Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of its adoption until 30th March 2028. The scheme limit of this scheme is 2% of the ordinary issued share capital of the Company from time to time (excluding Shares which have already been transferred to employees on vesting).

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any employee (including any director of the Company or the Subsidiary) to be a participant in the Share Purchase Scheme. The Board or the trustee of the Share Purchase Scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of Shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of Shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of Shares, the trustee shall apply the same towards the purchase of Shares on the Stock Exchange.

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a Subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares. An award will lapse where the Company or the business division by which the selected employee is employed ceases to part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his rights to receive the vested Shares.

Where Shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such Shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion, after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Purchase Scheme at any time provided that such termination shall not affect any subsisting rights of any selected employee. If, at the date of such termination, the trustee holds Shares which have not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such Shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31st December 2008, the following Shares were awarded to a director and certain employees of the Company and/or its subsidiaries pursuant to the terms of the rules and trust deed of the Share Purchase Scheme:

	Number of awarded shares					
Category	**Outstanding at 01.01.2008**	**Awarded during the year**	**Vested during the year**	**Outstanding at 31.12.2008**	**Date of award**	**Vesting date**
Director	–	420,000	(420,000)	–	18.08.2008	18.08.2008
Director	–	420,000	–	420,000	18.08.2008	01.04.2009
Director	–	420,000	–	420,000	18.08.2008	01.04.2010
Sub-total	**–**	**1,260,000**	**(420,000)**	**840,000**		
Employees	–	808,000	(808,000)	–	18.08.2008	18.08.2008
Employees	–	808,000	–	808,000	18.08.2008	01.04.2009
Employees	–	836,000	–	836,000	18.08.2008	01.04.2010
Sub-total	**–**	**2,452,000**	**(808,000)**	**1,644,000**		
Total	**–**	**3,712,000**	**(1,228,000)**	**2,484,000**		

(ii) Share Subscription Scheme

The Share Subscription Scheme has a term of 20 years from the date of its adoption until 30th March 2028. The scheme limit of this scheme is 1% of the ordinary issued share capital of the Company from time to time (excluding Shares which have already been transferred to employees on vesting).

The Board may, from time to time at its absolute discretion select any employee (excluding any Director of the Company or any Subsidiary and any other connected person of the Company) to be a participant of the Share Subscription Scheme. The Board or the trustee of the Share Subscription Scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of Shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of Shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such notional cash amount on the Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount or an amount equal to the par value of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a Subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares. An award will lapse where the Company or the business division by which the selected employee is employed ceases to part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his right to receive the vested Shares.

Where Shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such Shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Subscription Scheme at any time provided that such termination shall not affect any subsisting rights of any employee selected thereunder and provided further that if, at the date of such termination, the trustee holds any Shares which it has not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such Shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31st December 2008, there were no shares awarded by the Company to any employees of the Company and/or its subsidiaries under the Share Subscription Scheme.

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 2008 are disclosed in note 30 to the financial statements.

None of the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in the Listing Rules for the year ended 31st December 2008 except the code provision A.4.1 in respect of the appointment of non-executive directors for specific terms and the code provision E.1.2 in respect of the attendance of the Chairman of the Board at the annual general meeting of the Company.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 13 to 22 of this annual report.

AUDIT COMMITTEE

The Audit Committee, comprising the three Independent Non-executive Directors of the Company, has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's annual results for the year ended 31st December 2008.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements of the Company for the year ended 31st December 2008 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 of
Value Convergence Holdings Limited
Ho, Lawrence Yau Lung
Chairman

Hong Kong, 23rd March 2009

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 38 to 91 which comprise the consolidated and Company balance sheets as at 31st December 2008, 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.

Independent Auditor's Report

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 2008 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
23rd March 2009

Consolidated Income Statement

For the year ended 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**129,672**	323,747
Other income	7	**6,686**	3,795
Net gain on trading investments	7	**–**	2,051
Staff costs	8	**(81,075)**	(169,693)
Depreciation of property, plant and equipment		**(2,670)**	(1,625)
Amortisation of trading rights		**(507)**	(507)
Commission expenses		**(4,890)**	(19,452)
Finance costs	10	**(6,959)**	(43,275)
Other operating expenses		**(29,169)**	(32,933)
Share of loss of jointly controlled entities	20	**(2,124)**	–
Profit before taxation	11	**8,964**	62,108
Taxation charge	12	**(1,388)**	(11,750)
Profit for the year		**7,576**	50,358
Earnings per share (HK cents)			
Basic	14	**2.05**	16.97
Diluted	14	**2.04**	16.59

Consolidated Balance Sheet

As at 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill	15	**8,151**	8,151
Trading rights	16	**759**	1,266
Property, plant and equipment	17	**4,423**	2,750
Deferred tax assets	18	**1,100**	1,100
Statutory deposits		**2,988**	2,988
Other intangible assets	19	**547**	547
Investments in jointly controlled entities	20	**–**	–
Loan to a jointly controlled entity	20	**92,877**	–
		110,845	16,802
Current assets			
Accounts receivable	21	**263,393**	614,893
Prepayments, deposits and other receivables	22	**3,459**	34,573
Amount due from a major shareholder	22	**112**	–
Amounts due from related companies	22	**230**	206
Amounts due from jointly controlled entities	22	**9,262**	–
Bank balances and cash	22	**301,856**	293,389
		578,312	943,061
Current liabilities			
Accounts payable	23	**19,880**	47,750
Accrued liabilities and other payables		**13,889**	30,879
Amount due to a major shareholder	22	**81**	11,662
Amounts due to related companies	22	**513**	14,138
Loans from a major shareholder	22	**41,900**	241,900
Taxation payable		**746**	8,047
		77,009	354,376
Net current assets		**501,303**	588,685
Total assets less current liabilities		**612,148**	605,487
Capital and reserves			
Share capital	24	**37,117**	36,996
Reserves		**575,031**	568,491
Total equity		**612,148**	605,487

The consolidated financial statements on pages 38 to 91 were approved by the Board of Directors on 23rd March 2009 and are signed on its behalf by:

Sun, Patrick
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

Balance Sheet

As at 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	25	**10**	10
Investments in jointly controlled entities	20	**1**	–
Amounts due from subsidiaries	25	**50,000**	50,000
Loan to a jointly controlled entity	20	**95,000**	–
		145,011	50,010
Current assets			
Prepayments, deposits and other receivables	22	**199**	25,158
Amounts due from subsidiaries	25	**523,023**	929,806
Amounts due from related companies	22	**231**	239
Bank balances	22	**3,834**	9,187
		527,287	964,390
Current liabilities			
Accrued liabilities and other payables		**447**	629
Amount due to a major shareholder	22	**81**	13,594
Amounts due to subsidiaries	25	**104,145**	231,634
Amounts due to related companies	22	**–**	3,007
Loans from a major shareholder	22	**41,900**	241,900
		146,573	490,764
Net current assets		**380,714**	473,626
Total assets less current liabilities		**525,725**	523,636
Capital and reserves			
Share capital	24	**37,117**	36,996
Reserves	26	**488,608**	486,640
Total equity		**525,725**	523,636

Sun, Patrick
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December 2008

	Attributable to equity holders of the parent								
	Share capital	**Shares held for share purchase scheme**	**Share premium**	**Capital reserve**	**Exchange reserve**	**Retained profits**	**Share option reserve**	**Awarded shares compensation reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 1st January 2008	36,996	–	358,728	123,758	(537)	85,526	1,016	–	605,487
Exchange difference arising on translation of foreign operation	–	–	–	–	(317)	–	–	–	(317)
Net expense recognised directly in equity	–	–	–	–	(317)	–	–	–	(317)
Profit for the year	–	–	–	–	–	7,576	–	–	7,576
Total recognised income and expense for the year	–	–	–	–	(317)	7,576	–	–	7,259
Exercise of share options	121	–	657	–	–	–	–	–	778
Recognition of equity-settled share-based payment	–	–	–	–	–	–	512	2,925	3,437
Shares purchased for share purchase scheme	–	(4,813)	–	–	–	–	–	–	(4,813)
Transfer of shares held for share purchase scheme upon vesting of shares	–	1,592	–	–	–	–	–	(1,592)	–
At 31st December 2008	37,117	(3,221)	359,385	123,758	(854)	93,102	1,528	1,333	612,148

Consolidated Cash Flow Statement

For the year ended 31st December 2008

	2008 *HK$'000*	2007 *HK$'000*
Operating activities		
Profit before taxation	**8,964**	62,108
Adjustments for		
Share of loss of jointly controlled entities	**2,124**	–
Depreciation of property, plant and equipment	**2,670**	1,625
Amortisation of trading rights	**507**	507
Recognition of equity-settled share-based payment	**3,437**	1,002
Allowance for doubtful receivables	**1,982**	138
Bad debt written off	**310**	–
Interest income from authorised institutions	**(3,728)**	(3,265)
Interest expenses	**6,959**	43,275
Operating cash flows before movements in working capital	**23,225**	105,390
Decrease (increase) in accounts receivable	**348,952**	(26,935)
Decrease (increase) in prepayments, deposits and other receivables	**31,102**	(29,133)
Decrease in trading investments	**–**	14,441
Increase in amounts due from related companies	**(24)**	(144)
Increase in amounts due from jointly controlled entities	**(9,262)**	–
Decrease in accounts payable	**(27,870)**	(109,510)
(Decrease) increase in accrued liabilities and other payables	**(16,985)**	12,647
Decrease in amounts due to related companies	**(13,625)**	(1,105)
Cash from (used in) operations	**335,513**	(34,349)
Interest paid	**(6,959)**	(43,307)
Interest received from authorised institutions	**3,735**	3,388
Tax paid	**(8,689)**	(3,422)
Net cash from (used in) operating activities	**323,600**	(77,690)
Investing activities		
Purchase of property, plant and equipment	**(4,341)**	(1,911)
Investments in jointly controlled entities	**(1)**	–
Loan to a jointly controlled entity	**(95,000)**	–
Decrease in statutory deposits	**–**	248
Net cash used in investing activities	**(99,342)**	(1,663)

Consolidated Cash Flow Statement

For the year ended 31st December 2008

	2008	2007
	HK$'000	*HK$'000*
Financing activities		
Repayment to a major shareholder	**(211,694)**	(7,017)
Repayment of bank borrowings	**–**	(49,000)
Purchase of shares for Share Purchase Scheme	**(4,813)**	–
Proceeds from new issue shares	**–**	367,696
Proceeds from exercise of share options	**778**	3,525
Share issue expenses	**–**	(10,350)
Net cash (used in) from financing activities	**(215,729)**	304,854
Net increase in cash and cash equivalents	**8,529**	225,501
Cash and cash equivalents at the beginning of year	**293,389**	67,916
Effect of foreign exchange rate changes	**(62)**	(28)
Cash and cash equivalents at the end of year, represented by bank balances and cash	**301,856**	293,389

Notes to the Financial Statements

For the year ended 31st December 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited. On 15th August 2008, the Company transferred its listing from Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report. After the issurance of shares in 2007, Melco Financial Group Limited holds no more than 50% of the total shares of the Company. It became a major shareholder and ceased to have control over the Company. Its fellow subsidiaries became the related companies to the Group.

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 ("HKFRSs")

In the current year, the Group and the Company have applied, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendments)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives [7]
HK(IFRIC) – Int 13	Customer loyalty programmes [4]
HK(IFRIC) – Int 15	Agreements for the construction of real estate [2]
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation [5]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) – Int 18	Transfers of assets from customers [6]

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.
2 Effective for annual periods beginning on or after 1st January 2009.
3 Effective for annual periods beginning on or after 1st July 2009.
4 Effective for annual periods beginning on or after 1st July 2008.
5 Effective for annual periods beginning on or after 1st October 2008.
6 Effective for transfers on or after 1st July 2009.
7 Effective for annual periods ending on or after 30th June 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2006. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of these standards, amendments 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 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 (including special purpose entity) 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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. On 1st January 2004, the Group has early adopted HKFRS 3 and the carrying value of the date net of accumulated amortisation, was deemed as cost carried forward. Subsequently, 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

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investments in subsidiaries and jointly controlled entities

In the Company's balance sheet, the investments in subsidiaries and jointly controlled entities are stated at cost less accumulated impairment losses. The results of subsidiaries and jointly controlled entities 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 is 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

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.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 ("FVTPL") 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.

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 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.

Financial assets at fair value through profit or loss

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, amount due from a major shareholder, amounts due from subsidiaries, amounts due from related companies, amount due from jointly controlled entities, loan to a jointly controlled entity 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).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 assets, 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Financial liabilities

Financial liabilities including accounts payable, accrued liabilities and other payables, amount due to a major shareholder/subsidiaries/related companies, and loans from a major shareholder 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

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 Group (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 and employees

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions – continued

Equity-settled share-based payment transactions – continued

Shares awards to directors and employees

The fair value of services received determined by reference to the fair value of shares awarded at the grant date. It is expensed on a straight-line basis over the vesting period and recorded in awarded shares compensation reserve.

When VC Share Purchase Scheme Trust ("Trust") purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share purchase scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

When the Trust transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share purchase scheme. Accordingly, the related expense of the granted shares vested is reversed from awarded shares compensation reserve. The difference arising from such transfer is debited/credited to retained profits.

Retirement benefits costs

Payments to 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 and the Company review the carrying amounts of their 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

Income taxes

As at 31st December 2008, a deferred tax asset of HK$1,100,000 (2007: HK$1,100,000) 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 2008, deferred tax asset has not been recognised in relation to the estimated unused tax losses approximately HK$117,468,000 (2007: HK$115,902,000). 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 recognition of material 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 accounts receivable/loan to a jointly controlled entity

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. As at 31st December 2008, the carrying amount of accounts receivable is HK$263,393,000 (2007: HK$614,893,000). Allowance of HK$1,982,000 (2007: HK$138,000) is provided during the year 2008.

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 maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which include 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. The Group's overall strategy remains unchanged from prior 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 Hong Kong Securities and Futures Commission ("SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Hong Kong 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**669,877**	941,760	**622,022**	964,281
Financial liabilities				
Amortised cost	**76,263**	346,329	**146,573**	490,764

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, amounts due to/from a major shareholder/related companies/jointly controlled entities, loan to a jointly controlled entity, accounts receivable, bank balances, accounts payable, accrued liabilities and other payables, and loans from a major shareholder. Details of these financial instruments are disclosed in respective notes. The Company's major financial instruments include deposits and other receivables, amounts due from subsidiaries/related companies, bank balances, accrued liabilities and other payables, amount due to a major shareholder/subsidiaries/related companies and loans from a major shareholder. 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 group entity to operate in local currencies as far as possible to minimise currency risks. Approximately 98% of the Group's principal businesses are conducted in Hong Kong dollars which is also the functional currency, with minor bank 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 and the Company is mainly exposed to cash flow interest rate risk in relation to loan to a jointly controlled entity, variable-rate accounts receivable, loans from a major shareholder and amounts due from subsidiaries (see Notes 20, 21, 22 and 25 for details of these financial instruments). The Group has no fixed-rate instruments and hence is 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 fair value interest rate risk. Bank balances are excluded from the interest rate sensitivity analysis as they are not sensitive to the change in market interest rates.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

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 exposure to interest rates on financial assets and financial liabilities exposed to cash flow interest rate risk are detailed below.

Financial instruments with interest-bearing nature

	THE GROUP		**THE COMPANY**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
Accounts receivable	**202,447**	459,284	**–**	–
Loan to a jointly controlled entity	**95,000**	–	**95,000**	–
Amounts due from subsidiaries	**–**	–	**226,010**	557,900
Liability				
Loans from a major shareholder	**41,900**	241,900	**41,900**	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.

	2008		2007	
	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	**2,555**	**(2,555)**	2,174	(2,174)
THE COMPANY				
Increase (decrease) in profit for the year	**2,791**	**(2,791)**	–	–
Decrease (increase) in loss for the year	**–**	**–**	3,160	(3,160)

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 2008 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 liquidity 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. The Company has no significant concentration risk.

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

Liquidity risk

Internally generated cash flow, bank borrowings and loans from a major shareholder 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 to meet their respective financial obligations.

At 31st December 2008, the Group has available unutilised banking facilities of approximately HK$185,000,000 (2007: HK$205,000,000) and there is no available banking facility for the Company.

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.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table – continued

THE GROUP

	Weighted average effective interest rate	On demand	Less than 1 month	1-3 months	3 months to 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 2008							
Non-derivative financial liabilities							
Accounts payable	–	–	19,880	–	–	19,880	19,880
Accrued liabilities and other payables	–	–	13,197	40	652	13,889	13,889
Amount due to a major shareholder	–	81	–	–	–	81	81
Amounts due to related companies	–	513	–	–	–	513	513
Loans from a major shareholder	2.11	41,900	–	–	–	41,900	41,900
		42,494	33,077	40	652	76,263	76,263

	Weighted average effective interest rate	On demand	Less than 1 month	1-3 months	3 months to 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	30,879	30,879
Amount due to a major shareholder	–	11,662	–	–	–	11,662	11,662
Amounts due to related companies	–	14,138	–	–	–	14,138	14,138
Loans from a major shareholder	4.51	241,900	–	–	–	241,900	241,900
		267,700	59,953	205	18,471	346,329	346,329

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table – continued

THE COMPANY

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount at balance sheet date HK$'000
At 31st December 2008							
Non-derivative financial liabilities							
Accrued liabilities and other payables	–	–	367	–	80	447	447
Amount due to a major shareholder	–	81	–	–	–	81	81
Amounts due to subsidiaries	–	104,145	–	–	–	104,145	104,145
Loans from a major shareholder	2.11	41,900	–	–	–	41,900	41,900
		146,126	367	–	80	146,573	146,573

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount at balance sheet date HK$'000
At 31st December 2007							
Non-derivative financial liabilities							
Accrued liabilities and other payables	–	–	224	–	405	629	629
Amount due to a major shareholder	–	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 a major shareholder	4.51	241,900	–	–	–	241,900	241,900
		490,135	224	–	405	490,764	490,764

6. FINANCIAL INSTRUMENTS – continued

Fair value

The fair value of 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, other corporate finance related advisory service; and securities, futures and options broking and dealing.

	2008 *HK$'000*	2007 *HK$'000*
Revenues		
– Brokerage commission from dealing in securities and futures and options contracts	**82,625**	213,185
– Underwriting, sub-underwriting, placing and sub-placing commission	**6,954**	13,528
– Arrangement, management, advisory and other fee income	**6,696**	13,181
– Interest income from clients	**33,397**	83,853
	129,672	323,747
Other income		
Interest income from authorised institutions	**3,728**	3,265
Dividend income	**–**	288
Management fee income from a jointly controlled entity	**2,943**	–
Sundry income	**15**	242
	6,686	3,795
Net gain on trading investments	**–**	2,051
Total income	**136,358**	329,593

7. REVENUES AND SEGMENT INFORMATION – continued

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.

Year ended 31st December 2008

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenues	82,625	33,397	13,650	–	129,672
Inter-segment sales	–	–	700	(700)	–
	82,625	33,397	14,350	(700)	129,672
Segment results	(8,297)	18,939	(3,189)	–	7,453
Unallocated income					34,069
Unallocated costs					(30,434)
Share of loss of jointly controlled entities					(2,124)
Profit before taxation					8,964
Taxation charge					(1,388)
Profit for the year					7,576
Segment assets	274,464	245,122	28,294		547,880
Unallocated corporate assets					141,277
					689,157
Segment liabilities	31,320	41,910	782		74,012
Unallocated corporate liabilities					2,997
					77,009

7. REVENUES AND SEGMENT INFORMATION – continued

Primary reporting format – business segments – continued

	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	**1,495**	**–**	**725**	**450**	**2,670**
Amortisation of trading rights	**507**	**–**	**–**	**–**	**507**
Capital expenditures	**3,497**	**–**	**2**	**842**	**4,341**
Allowance for doubtful receivables	**–**	**1,982**	**–**	**–**	**1,982**
Bad debt written off	**–**	**–**	**310**	**–**	**310**

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					36,195
Unallocated costs					(36,679)
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

7. REVENUES AND SEGMENT INFORMATION – continued

Primary reporting format – business segments – continued

	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	778	–	722	125	1,625
Amortisation of trading rights	507	–	–	–	507
Capital expenditures	877	–	806	228	1,911
Allowance for doubtful receivables	–	138	–	–	138

Inter-segment sales are charged at prevailing market rate.

Secondary reporting format – geographical segments

Year ended 31st December 2008 and 2007

No geographical segment analysis is presented for the years ended 31st December 2008 and 2007 as over 90% of the Group's revenues, segment results and the segment assets during the years ended 31st December 2008 and 2007 are derived from or located in Hong Kong.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 **HK$'000**	2007 HK$'000
Staff commission	**43,017**	117,455
Wages and salaries	**33,711**	46,574
Staff welfare	**2,079**	1,754
Recruitment costs	**406**	305
(Reversal) accrual of annual leave benefits	**(2,657)**	1,492
Pension costs – contributions to defined contribution plans	**1,097**	1,156
Forfeiture of pension contributions	**(15)**	(45)
Recognition of equity-settled share-based payment	**3,437**	1,002
	81,075	169,693

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 after December 2000 are all under the MPF Scheme. No more contribution was made to the ORSO Scheme after the switch.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) – continued

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

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

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	**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***
2008							
Fees	**–**	**195**	**195**	**24**	**–**	**191**	**605**
Other emoluments							
Salaries and other benefits	**198**	**–**	**–**	**–**	**3,319**	**–**	**3,517**
Retirement benefits scheme contributions	**4**	**–**	**–**	**–**	**12**	**–**	**16**
Share-based payment	**–**	**–**	**–**	**–**	**1,509**	**–**	**1,509**
Total emoluments	**202**	**195**	**195**	**24**	**4,840**	**191**	**5,647**

	Ho, Lawrence Yau Lung	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*
2007							
Fees	–	195	195	145	–	170	705
Other emoluments							
Salaries and other benefits	600	–	–	–	6,592	–	7,192
Retirement benefits scheme contributions	12	–	–	–	12	–	24
Share-based payment	–	–	–	–	1,002	–	1,002
Total emoluments	612	195	195	145	7,606	170	8,923

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS – continued

(a) Directors' emoluments – continued

During the year ended 31st December 2008, there was no option granted to the Directors of the Company (2007: Nil) in respect of their services provided to the Group, further details of which are set out in note 27 to the financial statements.

During the year ended 31st December 2008, a total number of 1,260,000 (2007: Nil) ordinary shares were awarded to a Director of the Company under VC Share Purchase Scheme in respect of his services provided to the Group, further details of which are set out in note 27 to the financial statements.

During the two years ended 31st December 2008 and 31st December 2007, no Directors waived or agreed to waive any emoluments. No emolument has been paid to the Directors and five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group, one (2007: one) of them was director. The details of the emoluments payable to these five individuals are as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**14,428**	16,731
Retirement benefits scheme contributions	**59**	60
	14,487	16,791

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

	Number of individuals	
Emolument bands	**2008**	2007
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**2**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	1,064	29,569
Interest on loans from a major shareholder	5,895	13,706
	6,959	43,275

11. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation is stated after (crediting) and charging the following:		
Auditor's remuneration	1,315	1,193
Operating leases in respect of land and buildings	5,783	4,851
Net exchange loss (gain)	338	(477)
Allowance for doubtful receivables	1,982	138
Bad debt written off	310	–

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

	2008 HK$'000	2007 HK$'000
Current taxation		
– Hong Kong Profits Tax	1,728	10,069
– Overprovision in prior years	(340)	–
Deferred taxation	–	1,681
	1,388	11,750

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

12. TAXATION – continued

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

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**8,964**	62,108
Calculated at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**1,479**	10,869
Tax effect of share of loss of jointly controlled entities	**350**	–
Tax effect of income not taxable for tax purpose	**(809)**	(602)
Tax effect of expenses not deductible for tax purpose	**847**	1,151
Overprovision in respect of prior years	**(340)**	–
Tax effect of deductible temporary difference previously not recognised	**(449)**	–
Utilisation of previously unrecognised tax losses	**(1,340)**	(454)
Unrecognised deferred tax assets arising from estimated tax losses	**1,661**	1,314
Others	**(11)**	(528)
Taxation charge	**1,388**	11,750

13. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31st December 2008 (2007: Nil).

14. EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**7,576**	50,358

	2008 '000	2007 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**369,465**	296,778
Effect of dilutive potential ordinary shares:		
Share options	**1,553**	6,722
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**371,018**	303,500

15. GOODWILL

COST	HK$'000
At 1st January 2007, 31st December 2007 and 31st December 2008	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 2008, 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 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 5-year period, and a discount rate of 10% (2007: 12.57%). 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 2007, 1st January 2008 and 31st December 2008	5,066
AMORTISATION	
At 1st January 2007	3,293
Provided for the year	507
At 1st January 2008	3,800
Provided for the year	507
At 31st December 2008	4,307
CARRYING VALUE	
At 31st December 2008	759
At 31st December 2007	1,266

Trading rights are amortised over 10 years from 6th March 2000, the effective date 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 2007	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
Additions	829	1,091	2,421	4,341
Written off	(1,215)	–	–	(1,215)
Exchange difference	–	–	18	18
At 31st December 2008	5,265	9,484	12,209	26,958
DEPRECIATION				
At 1st January 2007	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
Charge for the year	1,299	323	1,048	2,670
Written off	(1,215)	–	–	(1,215)
Exchange difference	–	–	16	16
At 31st December 2008	4,937	7,994	9,604	22,535
CARRYING VALUES				
At 31st December 2008	328	1,490	2,605	4,423
At 31st December 2007	798	722	1,230	2,750

The property, plant and equipment are depreciated on a straight-line basis 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$\frac{1}{3}$%

18. DEFERRED TAX ASSETS

	Estimated tax losses
	HK$'000
At 1st January 2007	2,781
Charged to consolidated income statement for the year *(note 12)*	(1,681)
At 1st January 2008	1,100
Charged to consolidated income statement for the year *(note 12)*	–
At 31st December 2008	1,100

As at 31st December 2008, the Group and the Company have estimated unused tax losses of HK$124,135,000 and HK$37,925,000 (2007: HK$122,188,000 and HK$45,017,000) respectively to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statements in respect of estimated unused tax losses of HK$6,667,000 (2007: HK$6,286,000) to the extent that realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses approximately HK$117,468,000 (2007: HK$115,902,000) for the Group and HK$37,925,000 (2007: HK$45,017,000) 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 2007, 1st January 2008 and 31st December 2008	1,839
IMPAIRMENT	
At 1st January 2007, 1st January 2008 and 31st December 2008	1,292
CARRYING VALUE	
At 31st December 2008 and 31st December 2007	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. INTERESTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

As at 31st December 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place/ country of incorporation/ registration	Principal activity and place of operations	Class share held	Proportion of nominal value of issued capital/ registered capital held by the Group	Proportion of voting power held
MVC Macau Property Development Fund Limited [1]	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.1 Limited [2]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.2 Limited [2]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (Macau) Investments Limited [2]	Incorporated	Macau	Property investment holding in Macau	Ordinary	50%	50%
VC Property Asset Management Limited [1]	Incorporated	British Virgin Island	Provision of property investment management in Macau	Ordinary	50%	50%

1 Shares held directly by the Company

2 Shares held indirectly by the Company

The Group has loan advanced to a jointly controlled entity which forms part of the net interests in the jointly controlled entities. During the year, the jointly controlled entities incurred losses in excess of cost of investments. The net interests in the jointly controlled entities are as follows:

	THE GROUP HK$'000	THE COMPANY HK$'000
Cost of investments in jointly controlled entities	1	1
Share of post-acquisition losses	(1)	–
	–	1
Loan to a jointly controlled entity	95,000	95,000
Less: Loss allocated in excess of cost of investments	(2,123)	–
	92,877	95,000

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES – continued

The loan of HK$95,000,000 is advanced by the Company in 2008 and unsecured and bears interest at HIBOR plus 2.6% per annum. The loan is repayable on demand but with no intention to settle within one year.

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2008
	HK$'000
Current assets	328,386
Non-current assets	34
Current liabilities	24,125
Non-current liabilities	308,504
Income	6
Expenses	4,254

21. ACCOUNTS RECEIVABLE

	2008	2007
	HK$'000	*HK$'000*
THE GROUP		
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**15,594**	31,317
Cash clients	**75,410**	211,099
Margin clients	**171,384**	370,907
– Futures and options contracts transactions:		
Brokers	**–**	26
HKCC	**–**	56
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note b)*	**1,005**	1,488
	263,393	614,893

21. ACCOUNTS RECEIVABLE – continued

The Group has procedures and policies to assess the potential clients' 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 summarised as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**246,565**	538,732
Past due but not impaired *(Note c)*	**6,117**	54,544
Impaired *(Note d)*	**25,701**	34,841
	278,383	628,117
Less: Allowance for impairment *(Note d)*	**(14,990)**	(13,224)
	263,393	614,893

The accounts receivable with a carrying amount of HK$246,565,000 (2007: HK$538,732,000) are neither past due nor impaired at the balance sheet date. The Group believes that the amounts are recoverable.

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 one trading day after the trade date. Amounts due from brokers bear interest at commercial rates.

Accounts receivable due from cash clients are secured by clients' pledged securities at fair values of approximately HK$988,445,000 (2007: HK$1,117,749,000). No collateral held can be repledged by the Group and the corresponding collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Cash client receivables which are past due bear interest at commercial rates.

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$550,223,000 (2007: HK$2,206,608,000), repayable on demand and bear interest at commercial rates. The decision of rate changes is based 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 corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients.

21. ACCOUNTS RECEIVABLE – continued

Notes: – continued

(a) – continued

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

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**82,219**	186,196
31 – 90 days	**1,121**	51,230
Over 90 days	**7,664**	5,072
	91,004	242,498

(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:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**233**	580
31 – 90 days	**573**	79
Over 90 days	**199**	829
	1,005	1,488

(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$5,345,000 (2007: HK$53,636,000), 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 relevant carrying amounts.

The remaining balance of accounts receivable which are past due but not impaired are those from provision of corporate advisory, placing and underwriting services amounting approximately HK$772,000 (2007: HK$908,000), 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.

21. ACCOUNTS RECEIVABLE – continued

Notes: – continued

(c) – continued

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

	2008	2007
	HK$'000	*HK$'000*
Past due up to 30 days	**–**	–
Past due 31 – 90 days	**1,162**	48,680
Past due over 90 days	**4,955**	5,864
Total	**6,117**	54,544

(d) The Group has policy for allowance for doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collaterals and the past collection history of each client. Approximately HK$5,610,000 (2007: HK$4,712,000) of interest income was accrued on the impaired accounts receivable.

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**13,224**	13,086
Additional provisions	**1,982**	138
Amounts written off as uncollectible	**(216)**	–
Balance at end of the year	**14,990**	13,224

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.

22. 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 related companies/a major shareholder

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.

Amount due from jointly controlled entities

The amount is of trading nature. It is non-interest bearing, unsecured, repayable on demand but with no intention to settle within one year.

22. OTHER FINANCIAL ASSETS AND LIABILITIES – continued

Bank balances and cash

The amounts comprise cash held by the Group and short-term bank deposits held by the Group and the Company at market interest rates ranging from 0.0001% to 4.7% (2007: 0.01% to 3.75%) to the 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 2008, 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$1,915,000 (2007: HK$4,962,000) and HK$298,000,000 (2007: HK$416,250,000) respectively, which are not otherwise dealt with in the consolidated financial statements.

Loans from a major shareholder

The loans from a major shareholder are for operation need. The loans are unsecured and bear interest at HIBOR plus 2% per annum (2007: prime rate minus 2% per annum or HIBOR plus 1.25% to 2% per annum). The loans are repayable upon written notice given from a major shareholder.

23. ACCOUNTS PAYABLE

	2008	2007
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*		
– Cash clients *(Note b)*	**15,523**	43,996
– Margin clients	**4,357**	3,628
Accounts payable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note c)*	**–**	126
	19,880	47,750

23. ACCOUNTS PAYABLE – continued

Notes:

(a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. 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 the trade date.

(b) HK$150,000 (2007: HK$37,000) 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. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 31st December 2007 and 31st December 2008	10,000,000,000	1,000,000

	Issued and fully paid	
	Number of shares of HK$0.1 each	**Share capital**
		HK$'000
At 1st January 2007	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
Exercise of share options	1,212,321	121
At 31st December 2008	371,169,772	37,117

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

	THE COMPANY	
	2008	2007
	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 (2007: 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):

Included in the amounts are loans to subsidiaries of HK$176 million (2007: HK$507.9 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 2008:

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%

25. 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 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 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%

25. 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 Financial Advisory (Macau) Limited[2]	Macau	Provision of financial consultancy and related services in Macau	2 quota of MOP$24,000 and MOP$1,000 each	100%
VC Financial Investment Holdings Limited[1]	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
VC Strategic Investments Limited[1,3]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
VC Direct Investment Management Limited[2,3]	British Virgin Islands	Provision of investment management in Hong Kong	1 ordinary share of US$1	100%

1 Shares held directly by the Company

2 Shares held indirectly by the Company

3 The subsidiary was set up in 2008

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

26. RESERVES

THE COMPANY

	Share option reserve HK$'000	Shares held for share purchase scheme HK$'000 (Note)	Share premium HK$'000	Capital reserve HK$'000	Awarded shares compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
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 1st January 2008	1,016	–	356,305	123,758	–	5,561	486,640
Profit for the year	–	–	–	–	–	2,687	2,687
Recognition of equity-settled share-based payment	512	–	–	–	2,925	–	3,437
Transfer to share premium upon exercise of share options	–	–	–	–	–	–	–
Exercise of share options	–	–	657	–	–	–	657
Shares purchased for share purchase scheme	–	(4,813)	–	–	–	–	(4,813)
Transfer of shares held for share purchase scheme upon vesting of shares	–	1,592	–	–	(1,592)	–	–
At 31st December 2008	1,528	(3,221)	356,962	123,758	1,333	8,248	488,608

Note:

During the year, VC Share Purchase Scheme Trust acquired 3,712,000 shares of the Company (2007: Nil) through purchases in the open market. The total amount paid to acquire the shares during the year was HK$4,813,000 (2007: Nil) and has been deducted from shareholders' equity.

During the year, the VC Share Purchase Scheme Trust transferred 1,228,000 shares (2007: Nil) to the awardees upon vesting on 18th August 2008. The total cost of the related vested shares was HK$1,592,000 (2007: Nil)

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

27. SHARE OPTIONS AND SHARE AWARDS

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 was terminated upon the transfer of the listing of the shares from the GEM to the Main Board of the Stock Exchange on 15th August 2008.

As at 31st December 2008, options to subscribe for an aggregate of (1) 1,375,748, (2) 3,280,000, (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 1.91% (2007: 2.23%) of the shares of the Company in issue as at 31st December 2008. 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.

Share option scheme

During the year ended 31st December 2008, no Share Options was lapsed (2007: Share Options to subscribe for a total of 9,821 underlying shares granted to 1 employee lapsed). During the year ended 31st December 2008, certain Share Options to subscribe for a total of 9,821 (2007: 741,773) and 1,202,500 (2007: 3,140,565) at an exercise price of HK$1.0 and HK$0.64 per share respectively granted to a total of 8 (2007: 15) employees were exercised. Since the date of the grant of the Share Options up to 31st December 2008, none of the Share Options were cancelled. Movements in the number of Share Options outstanding during the year are as follows:

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option scheme – continued

2008

Categories of grantees	Grant date of options	Exercise price per share	Balance as at 1st January 2008	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31st December 2008
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	**3,512,500**	**–**	**–**	**(1,082,500)**	**–**	**2,430,000**
Other eligible persons	9th July 2002	HK$1.00	**378,513**	**–**	**–**	**(9,821)**	**–**	**368,692**
Other eligible persons	25th March 2004	HK$0.64	**970,000**	**–**	**–**	**(120,000)**	**–**	**850,000**
			8,268,069	**–**	**–**	**(1,212,321)**	**–**	**7,055,748**

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

In respect of the share options exercised during the year, the weighted average share price when the share options being exercised is HK$1.46 (2007: HK$5.09).

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option scheme – continued

During the year ended 31st December 2008, no option was granted. The estimated fair values of the options granted on 27th December 2006 were approximately HK$1,746,000 respectively. The vesting period of share options granted on 27th December 2006 is from one to three years.

Awarded shares

On 31st March 2008 ("Adoption Date"), the Board of Directors of the Company approved the establishment of two share incentive award schemes. The Share Purchase Scheme utilises Shares purchased in the market whereas the Share Subscription Scheme will subscribe for new Shares. Directors of the Company and any subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

The purpose of each of the Share Subscription Scheme and the Share Purchase Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of employees of the Company and any subsidiaries (excluding Directors of the Company and any subsidiaries and other connected persons of the Company in respect of the Share Subscription Scheme). The Shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group.

Share Subscription Scheme

The Share Subscription Scheme is a form of a share incentive award scheme known as The VC Share Award Scheme Trust. Directors of the Company and any subsidiary and other connected persons of the Company will not be entitled to participate in the Share Subscription Scheme. The number of Shares to be issued under the Share Subscription Scheme is limited to one per cent of the issued share capital of the Company (excluding Shares which have already been transferred to employees on vesting).

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a subsidiary until the vesting date. The Board of Directors also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares. No share was granted through the VC Share Award Scheme Trust at 31st December 2008.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded shares – continued

Share Purchase Scheme

The Share Purchase Scheme is a form of share incentive award scheme known as The VC Share Purchase Scheme Trust. Directors of the Company and any subsidiary will be entitled to participate in the Share Purchase Scheme. The number of Shares to be issued under the Share Purchase Scheme is limited to two per cent of the issued share capital of the Company (excluding Shares which have already been transferred to employees on vesting).

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a subsidiary until the vesting date. The Board of Directors also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares.

A total of 3,712,000 Shares have been purchased from the open market pursuant to the Share Purchase Scheme during the year ended 31st December 2008. Shares were awarded to one Director and selected employees during the year ended 31st December 2008 subject to the terms of the Share Purchase Scheme. 1,228,000 awarded shares were vested during the year. Movements in the number of Share Awards outstanding during the year are as follows:

Categories of awardees	Date of award *(Note 1)*	Fair value per share *(Note 2)*	Number of awarded shares	Vested during the year	Balance as at 31st December 2008	Vesting date
Director of the Company	18th August 2008	1.2965	420,000	(420,000)	–	18th August 2008
Director of the Company	18th August 2008	1.2965	420,000	–	420,000	1st April 2009
Director of the Company	18th August 2008	1.2965	420,000	–	420,000	1st April 2010
Employees	18th August 2008	1.2965	808,000	(808,000)	–	18th August 2008
Employees	18th August 2008	1.2965	808,000	–	808,000	1st April 2009
Employees	18th August 2008	1.2965	836,000	–	836,000	1st April 2010
			3,712,000	(1,228,000)	2,484,000	

Notes:

1. The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Purchase Scheme.

2. The fair value of the awarded shares are based on the fair value at grant date.

The Group recognised the total expense of approximately HK$2,925,000 for the year ended 31st December 2008 (2007: Nil) in relation to shares granted under the Share Purchase Scheme by the Company.

28. FINANCIAL GUARANTEE

As at 31st December 2008, the Company has given financial guarantees to banks in respect of banking facilities provided to VC Brokerage Limited amounting to HK$160 million (2007: HK$160 million). At 31st December 2008, no banking facilities was utilised by VC Brokerage Limited (2007: Nil). The fair value of the financial guarantee contracts is immaterial.

29. COMMITMENTS

(a) Capital commitments

At 31st December 2008, 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 (2007: Nil).

(b) Commitments under operating leases

At 31st December 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**7,088**	6,743
In the second to fifth year inclusive	**8,355**	1,612
	15,443	8,355

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 2008 and 31st December 2007, the Company does not have any operating lease commitments.

30. RELATED PARTY TRANSACTIONS

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

THE GROUP

	2008 HK$'000	2007 HK$'000
Rental paid to a related company	–	67
Technical, network and other service fees charged by related companies	2,437	2,582
Purchases of computer hardware and software from related companies	10	–
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	483	612
Brokerage commission income/interest income earned from a related company	12	1,281
Interest expenses charged on loans from a major shareholder	5,895	13,706
Management fee paid to a related company	2,476	–
Management fee income earned from a jointly controlled entity	2,943	–
Financial advisory and arrangement fees charged to a major shareholder	280	640

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

THE COMPANY

	2008 HK$'000	2007 HK$'000
Interest expenses charged on loans from a major shareholder	5,895	13,706
Interest income charged on loans to subsidiaries	11,230	17,519
Management fee received from a subsidiary	4,194	705
Financial advisory fee paid to a subsidiary	700	3,100

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

30. RELATED PARTY TRANSACTIONS – continued

Compensation of key management personnel

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

THE GROUP

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	**13,776**	12,973
Share-based payments	**2,975**	1,002
Post-employment benefits	**83**	84
	16,834	14,059

THE COMPANY

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	**605**	705
Share-based payments	**1,509**	1,002
Post-employment benefits	**16**	24
	2,130	1,731

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

Five Years' Financial Summary

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

	Year ended 31st December 2008 *HK$'000*	Year ended 31st December 2007 *HK$'000*	Year ended 31st December 2006 *HK$'000*	Year ended 31st December 2005 *HK$'000* (Restated)	Year ended 31st December 2004 *HK$'000* (Restated)
Results					
Revenues	**129,672**	323,747	182,587	115,986	163,257
Profit attributable to equity holders of the parent	**7,576**	50,358	26,332	5,108	29,307
Assets and liabilities					
Total assets	**689,157**	959,863	695,227	462,449	434,281
Total liabilities	**(77,009)**	(354,376)	(501,674)	(298,484)	(282,980)
Minority interests	**–**	–	–	–	–
Total equity	**612,148**	605,487	193,553	163,965	151,301