



Delivering  
Value  
through  
Excellence



VC GROUP  
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code : 821

[www.vcgroup.com.hk](http://www.vcgroup.com.hk)

Interim Report **2009**

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Brokerage | Corporate Finance | Asset Management

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The board of directors of Value Convergence Holdings Limited (the “Company” or “Value Convergence”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2009. The unaudited condensed consolidated interim results have been reviewed by the audit committee of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Value Convergence is an established financial services group committed to delivering premium financial services and products that can fulfill the various 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.

During the period under review, the economic conditions in Hong Kong continued to be challenging. The global financial crisis has undermined equity markets worldwide. Investor jittery is expected for markets at large with the global economy recovering very slowly and at a still uncertain pace. The daily average turnover of the Hong Kong stock market for the first half of 2009 was about HK\$58 billion compared to approximately HK\$87 billion for same period in 2008, a drop of 33% or HK\$29 billion. The decline in overall trading volume reflected investor reservation resulting from the lack of direction of the market.

For the six months ended 30th June 2009, the Group posted revenue of approximately HK\$63.7 million, down by HK\$9 million or 12.4%, compared with the corresponding period in 2008. The Group’s unaudited consolidated net profit after taxation for the first half of 2009 fell 37.9% year on year to HK\$4.7 million, but was a substantial improvement when compared with the marginal loss for the second half of last year.

### **Brokerage**

In the first half of 2009, although average market turnover shrank by more than 33% year-on-year, the Group was able to increase market share thanks to its proactive business strategy and efforts in boosting relationship with clients. With market turnover down and IPO activities held back, revenue from brokerage business and interest income from margin financing business both dropped and the latter substantially compared with the same period last year. Net brokerage commission income was down by a slight 4.6% to HK\$19 million. For the six months ended 30th June 2009, our average loan portfolio for margin financing was squeezed by 42% year-on-year to HK\$270 million, resulting in a 48.5% decline in revenue from interest income to HK\$10.6 million. Furthermore, asset quality remained benign with more than needed provision for the Group to write back HK\$2.2 million as a one-off income for the first half of 2009.

## **Corporate Finance**

The Group's corporate advisory and related businesses, such as underwriting and share placing recorded revenues totaling approximately HK\$3.3 million (2008: HK\$3.5 million) and operating loss of approximately HK\$2.5 million (2008: HK\$3.5 million) for the six months ended 2009. The weak performance was mainly the result of a lackluster fund raising market during the review period.

## **Assets Management**

In 2008, VC Financial Group Limited ("VC Financial Group"), a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company (the "JV Company"). VC Financial Group and Macquarie Macau each contributed an initial amount of HK\$95 million to the JV Company to acquire a piece of land in Macau. The JV Company intended to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property development project. This initiative is still ongoing and it is hoped that the syndicate can be formed in the fourth quarter of 2009. If this initiative is successful, the Group will have a more diverse product portfolio and be able to enhance its fee-based revenue stream, and in turn boost overall financial performance.

## **Liquidity and financial resources/capital structure**

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

It held banking facilities of HK\$185 million from various banks as at 30th June 2009 (31st December 2008: HK\$185 million) and HK\$60 million (31st December 2008: HK\$60 million) of these banking facilities was secured by margin clients' listed securities. As at 30th June 2009, the Group had utilized HK\$584 million of its unsecured banking facilities for Initial Public Offering Business (31st December 2008: Nil) and the loans withdrawn were repaid by 2nd July 2009.

As at 30th June 2009, the Group had no outstanding debts from its major shareholder (31st December 2008: HK\$41.9 million).

As at 30th June 2009, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK\$508.4 million (31st December 2008: HK\$501.3 million), HK\$184.6 million (31st December 2008: HK\$301.9 million) and HK\$617.7 million (31st December 2008: HK\$612.1 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 1.75 (31st December 2008: 7.51).

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.

As at 30th June 2009, the total number of issued ordinary shares of the Company was 371,169,772 at HK\$0.10 each (31st December 2008: 371,169,772 shares of HK\$0.10 each).

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

During the six months ended 30th June 2009, the Group did not make any material acquisition, disposal, significant investment or capital commitment.

### **Headcount/Employees' information**

As at 30th June 2009, the Group had a total of 115 employees, of whom 112 were stationed in Hong Kong and 3 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK\$43.4 million (2008 HK\$42.7 million). The increase was mainly due to increase in staff sales commission expense by approximately HK\$0.7 million. The Group's employees are selected, remunerated and promoted based on their performance and qualifications. In addition to basic salaries and participation in Mandatory Provident Fund Scheme, other staff benefits include medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programs are also provided to employees from time to time.

### **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 Police Tactical Unit Headquarters Charity Open Day of The Community Chest and Earth Hour 2009 of WWF.

### **Charges on group assets**

As at 30th June 2009, the Group had a not less than HK\$40 million charge over deposits for securing banking facilities of HK\$80 million in short-term money market loan and current account overdraft (31st December 2008: Nil).

### **Gearing ratio**

As at 30th June 2009, the Group's gearing ratio, expressed as a percentage of total borrowings (including short-term bank borrowings and loans from a major shareholder) over shareholders' funds, was 0.95 times (31st December 2008: 0.07 times).

### **Foreign exchange exposure**

It is the Group's policy for all operating entities to use corresponding local currency as much as possible so as to minimize exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars. Impact from foreign exchange exposure is thus minimal and no hedging against foreign currency exposure has been necessary.

### **Future plans for material investments or capital assets**

As at 30th June 2009, the Group had no plan with regard to material investment or capital assets.

### **Contingent liabilities**

As at 30th June 2009, the Company provided guarantees of HK\$160 million (31st December 2008: HK\$160 million) to banks in respect of banking facilities granted to the subsidiary VC Brokerage Limited.

### **OUTLOOK**

The Group believes with the global economy still uncertain, financial markets including that of Hong Kong are not going to rebound too soon in the second half. The US and European governments and their central banks have pumped money into their financial systems to prevent a complete economic meltdown. Most of these efforts have yet to take effect. The picture in China, however, looks more promising. China has been relatively less affected by the economic downturn and the 4 trillion Yuan economic stimulus package of the Chinese Government has been effective in bolstering domestic demand. All these factors taken into account, China is expected to be among the first to recover. Given the strong economic ties between Hong Kong and the Mainland and the solid foundation of the Hong Kong financial service market, the city is expected to benefit from the relatively faster recovery of its motherland. The Group will continue to focus on applying its excellent operational capabilities to serve customers, pursuing diversification and acquisition and pushing for innovation so as to make sure it will be able to reap benefits when the financial markets rebound in the future.

By Order of the Board of  
**Value Convergence Holdings Limited**  
**Patrick Sun**  
*Chief Executive Officer & Executive Director*

Hong Kong, 20th August 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2009

	Note(s)	Six months ended		Change %
		30th June 2009 (unaudited) HK\$'000	30th June 2008 (unaudited) HK\$'000	
Revenue	(2)	<b>63,731</b>	72,757	-12.4%
Other income		<b>491</b>	1,581	-68.9%
Staff costs	(4)	<b>(43,431)</b>	(42,738)	1.6%
Depreciation of property, plant and equipment	(5)	<b>(1,142)</b>	(1,066)	7.1%
Amortisation of trading rights		<b>(253)</b>	(253)	0%
Commission expenses		<b>(2,944)</b>	(2,592)	13.6%
Finance costs	(6)	<b>(120)</b>	(5,247)	-97.7%
Other operating expenses		<b>(11,800)</b>	(12,602)	-6.4%
Write-back of impairment loss on accounts receivables		<b>2,200</b>	-	-
Share of loss of jointly controlled entities		<b>(230)</b>	-	-
Profit before taxation	(7)	<b>6,502</b>	9,840	-33.9%
Taxation charge	(8)	<b>(1,774)</b>	(2,224)	-20.2%
Profit for the period		<b>4,728</b>	7,616	-37.9%
Attributed to:				
Shareholders of the Company		<b>4,728</b>	7,616	-37.9%
Minority interests		-	-	-
		<b>4,728</b>	7,616	-37.9%
Earnings per share (HK cents)				
Basic	(9)	<b>1.28</b>	2.06	-37.9%
Diluted	(9)	<b>1.28</b>	2.04	-37.3%

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2009

		<b>30th June</b>	31st December
		<b>2009</b>	2008
		<b>(unaudited)</b>	(audited)
	<i>Note(s)</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Goodwill		<b>8,151</b>	8,151
Trading rights		<b>506</b>	759
Property, plant and equipment	(5)	<b>3,415</b>	4,423
Deferred tax assets		<b>1,100</b>	1,100
Statutory deposits		<b>2,988</b>	2,988
Other intangible assets		<b>547</b>	547
Investments in jointly controlled entities	(10)	–	–
Loan to a jointly controlled entity	(10)	<b>92,647</b>	92,877
		<b>109,354</b>	110,845
<b>Current assets</b>			
Accounts receivable	(11)	<b>988,889</b>	263,393
Prepayments, deposits and other receivables		<b>3,824</b>	3,459
Amount due from a major shareholder		–	112
Amounts due from related companies		<b>231</b>	230
Amounts due from jointly controlled entities		<b>13,173</b>	9,262
Bank balances and cash		<b>184,637</b>	301,856
		<b>1,190,754</b>	578,312
<b>Current liabilities</b>			
Accounts payable	(12)	<b>75,538</b>	19,880
Accrued liabilities and other payables		<b>20,917</b>	13,889
Amounts due to a major shareholder		<b>159</b>	81
Amount due to related companies		<b>1,190</b>	513
Loans from a major shareholder		–	41,900
Short-term bank borrowings		<b>584,000</b>	–
Taxation payable		<b>555</b>	746
		<b>682,359</b>	77,009
<b>Net current assets</b>		<b>508,395</b>	501,303
<b>Total assets less current liabilities</b>		<b>617,749</b>	612,148
<b>Capital and reserves</b>			
Issued capital	(13)	<b>37,117</b>	37,117
Reserves		<b>482,802</b>	481,929
Retained earnings		<b>97,830</b>	93,102
<b>Equity attributable to Shareholders of the Company</b>		<b>617,749</b>	612,148
<b>Minority interests</b>		–	–
<b>Total equity</b>		<b>617,749</b>	612,148



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2009

	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 2008 (audited)	36,996	-	358,728	123,758	(537)	85,526	1,016	-	605,487
Exchange difference arising on translation of financial statements of an overseas subsidiary	-	-	-	-	(134)	-	-	-	(134)
Net expense recognised directly in equity	-	-	-	-	(134)	-	-	-	(134)
Profit for the period	-	-	-	-	-	7,616	-	-	7,616
Total recognised income and expense for the period	-	-	-	-	(134)	7,616	-	-	7,482
Exercise of share options	121	-	658	-	-	-	-	-	779
Recognition of equity-settled share-based payment	-	-	-	-	-	-	256	-	256
Share issue expenses	-	-	(1)	-	-	-	-	-	(1)
Shares purchased for Share Purchase Scheme	-	(4,813)	-	-	-	-	-	-	(4,813)
At 30th June 2008 (unaudited)	<b>37,117</b>	<b>(4,813)</b>	<b>359,385</b>	<b>123,758</b>	<b>(671)</b>	<b>93,142</b>	<b>1,272</b>	<b>-</b>	<b>609,190</b>
	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 2009 (audited)	37,117	(3,221)	359,385	123,758	(854)	93,102	1,528	1,333	612,148
Exchange difference arising on translation of financial statements of an overseas subsidiary	-	-	-	-	-	-	-	-	-
Net expense recognised directly in equity	-	202	-	-	-	-	109	1,163	1,474
Profit for the period	-	-	-	-	-	4,728	-	-	4,728
Total recognised income and expense for the period	-	202	-	-	-	4,728	109	1,163	6,202
Exercise of share options	-	(601)	-	-	-	-	-	-	(601)
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Shares purchased for Share Purchase Scheme	-	-	-	-	-	-	-	-	-
Transfer of shares held for share purchase scheme upon vesting of shares	-	1,592	-	-	-	-	-	(1,592)	-
At 30th June 2009 (unaudited)	<b>37,117</b>	<b>(2,028)</b>	<b>359,385</b>	<b>123,758</b>	<b>(854)</b>	<b>97,830</b>	<b>1,637</b>	<b>904</b>	<b>617,749</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2009

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	<b>30th June 2008 (unaudited) HK\$'000</b>
<b>Net cash (used in) from operating activities</b>	<b>(654,301)</b>	97,790
<b>Net cash used in investing activities</b>	<b>(2,099)</b>	(2,911)
<b>Net cash from financing activities</b>	<b>539,181</b>	5,966
	<hr/>	<hr/>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(117,219)</b>	100,845
<b>Cash and cash equivalents at the beginning of period</b>	<b>301,856</b>	293,389
<b>Effect of change in foreign currency translation</b>	<b>–</b>	4
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of period, represented by bank balances and cash</b>	<b>184,637</b>	394,238
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June 2009*

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2008.

On 1st January 2009, the Group adopted HKFRS 8 “Operating Segments” (HKFRS 8), which replaced HKAS 14 “Segment Reporting”. HKFRS 8 requires segment information to be reported using the same measure reported to the chief operating decision-maker for the purpose of making decision about allocating resources to the segment and assessing its performance. The Group’ HKFRS 8 operating segments are determined to be customer group segments because the chief operating decision-marker uses customer group information in order to make decisions about allocating resources and assessing performance. The three operating segments are Brokerage, Corporate Finance and Asset Management. Segment information provided to the chief operating decision marker is on HKFRS basis.

On 1st January 2009, the Group adopted revised HKAS 1 ‘Presentation of Financial Statements’ (HKAS 1). The revised standard aims to improve users’ ability to analyze and compare information given in financial statements.

The adoption of the revised standard has no effect on the results reported in the Group’s consolidated financial statements. It does, however, result in certain presentational changes in the Group’s primary financial statements, including:

- the adoption of revised title “Statement of financial position” for the “Balance sheet”.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant for the Group.

HKAS 23 (Revised)	Borrowing costs
HKAS 32 (amendment)	Financial instruments: presentation
HK(IFRIC) – Int 13	Customer loyalty programs
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
HKAS 39 (amendment)	Financial instruments: Recognition and measurement

The Group has not early applied the following new, revised or amendment to Hong Kong Financial Reporting Standard ("HKFRSs"), Hong Kong Accounting Standards and Interpretation (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective.

HKAS 1 (amendment)	Presentation of financial statements <sup>1</sup>
HKAS 7 (amendment)	Statement of cash flows <sup>1</sup>
HKAS 17 (amendment)	Leases <sup>1</sup>
HKAS 36 (amendment)	Impairment of assets <sup>1</sup>
HKAS 38 (amendment)	Intangible assets <sup>2</sup>
HKAS 39 (amendment)	Financial instruments: recognition and measurement <sup>1&amp;2</sup>
HKFRS 2 (amendment)	Share-based payments <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 5 (amendment)	Non-current Assets held for sale and discontinued operation <sup>1</sup>
HKFRS 8 (amendment)	Operating segments <sup>1</sup>
HKIFRIC 9 (amendment)	Reassessment of embedded derivatives <sup>2</sup>
HKIFRIC 16 (amendment)	Hedges of a net investment in a foreign operation <sup>2</sup>
HKIFRIC 17	Distributions of non-cash assets to owners <sup>2</sup>
HKIFRIC 18	Transfers of assets from customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2010.

<sup>2</sup> Effective for annual periods beginning on or after 1st July 2009.

The directors of the Company anticipate that the application of these new HKFRSs will have no material effects on the results and the financial position of the Group.

## 2. REVENUES

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
Brokerage commission from dealing in securities and futures and options contracts	<b>48,074</b>	47,953
Underwriting, sub-underwriting, placing and sub-placing commission	<b>282</b>	937
Arrangement, management, advisory and other fee income	<b>4,794</b>	3,310
Interest income from clients	<b>10,581</b>	20,557
	<b>63,731</b>	72,757

### 3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

#### (a) By business segments

The Group's operating businesses are organized and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group operates financial services business and classified its business into three segments, namely brokerage, corporate finance, asset management. Details of these three business segments are summarized as follows:

- (i) the brokerage segment engages in securities, futures and options broking, dealing, provision of margin financing, commercial loans to corporate customers and money lending services;
- (ii) the corporate finance segment engages in the provision of corporate advisory, placing and underwriting services, proprietary trading; and
- (iii) the asset management segment engages in joint venture development project of residential properties in Macau.

The following tables represent revenue and profit information for these segments for the six months ended 30th June 2009 and 2008, and assets information regarding business segments as at 30th June 2009 and 2008.

#### Six months ended 30th June 2009

	Brokerage HK\$'000	Corporate Finance HK\$'000	Asset Management HK\$'000	Inter- segment HK\$'000	Total HK\$'000
Total revenue	60,914	3,311	-	(494)	63,731
Segment results	8,096	(2,477)	(2,969)	2,078	4,728
EBITDA	12,650	(2,397)	(2,940)	704	8,017
Depreciation and amortization	(1,130)	(80)	(29)	(156)	(1,395)
Impairment write-back/(loss)	2,200	-	-	-	2,200
Finance income/(Cost)	(1,650)	-	-	1,530	(120)
Share of loss of jointly controlled entities	-	-	(230)	-	(230)
Management fee paid	(5,360)	(1,587)	(1,175)	7,751	(371)
Taxation charge	(1,774)	-	-	-	(1,774)
Total assets	1,640,303	20,891	8,841	(369,927)	1,300,108

Six months ended 30th June 2008

	Brokerage <i>HK\$'000</i>	Corporate Finance <i>HK\$'000</i>	Asset Management <i>HK\$'000</i>	Inter- segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue	69,399	3,310	-	48	72,757
Segment results	10,895	(3,486)	(2,959)	3,166	7,616
EBITDA	22,059	(3,225)	(2,849)	422	16,407
Depreciation and amortization	(740)	(261)	(110)	(208)	(1,319)
Impairment write-back/(loss)	244	(310)	-	-	(66)
Finance income/(Cost)	(8,200)	-	-	2,953	(5,247)
Management fee paid	(4,318)	(1,707)	(846)	6,871	-
Taxation charge	(2,224)	-	-	-	(2,224)
Total assets	1,198,664	32,598	15,278	(332,930)	913,610

**(b) By geographical segments**

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented in the financial statements.

**4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)**

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) <i>HK\$'000</i></b>	<b>30th June 2008 (unaudited) <i>HK\$'000</i></b>
Staff commission	<b>25,866</b>	25,165
Wages and salaries	<b>14,885</b>	15,362
Staff welfare	<b>608</b>	1,045
Recruitment costs	<b>40</b>	355
Pension costs – contributions to defined contribution plans	<b>559</b>	570
Forfeiture of pension contributions	-	(15)
Recognition of equity-settled share based payment	<b>1,473</b>	256
	<b>43,431</b>	42,738

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>As at 30th June 2009 (unaudited) HK\$'000</b>	As at 31st December 2008 (audited) HK\$'000
Carrying value, beginning of year	4,423	2,750
Additions	134	4,341
Depreciation	(1,142)	(2,670)
Exchange difference	-	2
	<hr/>	<hr/>
Carrying value, end of period/year	<b>3,415</b>	4,423
	<hr/> <hr/>	<hr/> <hr/>

**6. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	42	1,050
Interests on loans from a major shareholder	78	4,197
	<hr/>	<hr/>
	<b>120</b>	5,247
	<hr/> <hr/>	<hr/> <hr/>

**7. PROFIT BEFORE TAXATION**

Profit before taxation is stated after (crediting) and charging the following:

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
Auditor's remuneration	627	596
Operating leases in respect of land and buildings	3,316	2,888
Net exchange (gain) loss	(17)	133
Impairment (write-back) allowance on accounts receivables	(2,200)	66
	<hr/>	<hr/>
	<b>(2,200)</b>	66
	<hr/> <hr/>	<hr/> <hr/>

## 8. TAXATION CHARGE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30th June 2009. The amount of taxation charged to the condensed consolidated income statement represents:

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
Current taxation		
– Hong Kong Profits Tax	<b>1,774</b>	2,224
	<b>1,774</b>	2,224

As at 30th June 2009, the Group had estimated unused tax losses of HK\$127,590,000, (30th June 2008: HK\$134,103,000) to carry forward against future taxable income. A deferred tax assets has been recognised in the consolidated financial statement to the extent that realization of the related tax benefit through future taxable profits is probable. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

## 9. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>4,728</b>	7,616
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares less shares held for Share Purchase Scheme for the purposes of basic earnings per share	<b>369,079</b>	370,577
Effect of dilutive potential ordinary shares:		
Share options	–	2,519
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>369,079</b>	373,096



## 10. INTERESTS IN JOINTLY CONTROLLED ENTITIES THE GROUP

As at 30th June 2009 and 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 <sup>1</sup>	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.1 Limited <sup>2</sup>	Incorporated	British Virgin Islands	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (BVI) Holdings No.2 Limited <sup>2</sup>	Incorporated	British Virgin Islands	Property investment holding in Macau	Ordinary	50%	50%
Guia Hill (Macau) Investments Limited <sup>2</sup>	Incorporated	Macau	Property investment holding in Macau	Ordinary	50%	50%
VC Property Asset Management Limited <sup>1</sup>	Incorporated	British Virgin Islands	Provision of property investment management in Macau	Ordinary	50%	50%

<sup>1</sup> Shares held directly by the Company

<sup>2</sup> 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. For the six months period, the jointly controlled entities incurred losses in excess of cost of investments. The net interests in the jointly controlled entities are as follows:

### As at 30th June 2009 (unaudited) and 31st December 2008 (audited)

	THE GROUP HK\$'000	THE COMPANY HK\$'000
Cost of investments in jointly controlled entities	1	1
Share of post-acquisition losses	(1)	—
	<u>          </u>	<u>          </u>
	—	1
	<u>          </u>	<u>          </u>

	<b>THE GROUP</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>THE COMPANY</b> <b>(unaudited)</b> <b>HK\$'000</b>
As at 30th June 2009		
Loan to a jointly controlled entity	<b>95,000</b>	<b>95,000</b>
Less: Loss allocated in excess of cost of investments	<b>(2,353)</b>	–
	<b>92,647</b>	<b>95,000</b>
As at 31st December 2008		
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

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.

## 11. ACCOUNTS RECEIVABLE

	<b>As at</b> <b>30th June</b> <b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	As at 31st December 2008 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in (Note a):		
– Securities transactions		
Clearing houses and brokers	<b>133,905</b>	15,594
Cash clients	<b>50,366</b>	75,410
Margin clients (Note b)	<b>803,844</b>	171,384
– Futures and options contracts transactions		
HKFE Clearing Corporation Limited	<b>2</b>	–
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services (Note c)		
	<b>772</b>	1,005
	<b>988,889</b>	263,393

*Notes:*

- (a) Credit limit is approved for each client by designated approvers according to the clients' credit worthiness. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand. Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The decision for rate changes is on management's discretion subject to notification to clients. Securities are assigned with specific margin ratios for calculating their margin values. Loans granted to securities margin clients are further subject to the discounted value of securities deposited with reference to these specific margin ratios. Additional funds or collateral are required if the loan outstanding exceeds the eligible margin value of securities deposited. As at 30th June 2009, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$546,006,000 (31st December 2008: HK\$550,223,000). No aging analysis on margin clients' receivables is disclosed as, in the opinion of the directors of the Company, an aging analysis is not meaningful in view of the nature of the business of securities margin financing. Except for the loans to margin clients, all accounts receivable arising from the business of dealing in securities transactions are aged as follows:

	<b>As at 30th June 2009 (unaudited) HK\$'000</b>	As at 31st December 2008 (audited) HK\$'000
Within 30 days	<b>175,359</b>	82,219
31-90 days	<b>3,436</b>	1,121
Over 90 days	<b>5,476</b>	7,664
	<b>184,271</b>	91,004

- (b) The accounts receivable from the margin clients included the advances in relation to IPO financing of approximately HK\$605,796,000 (31st December 2008: Nil). All the advances were repaid by 2nd July 2009.

- (c) 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 but the Group will generally grant a normal credit period of 30 days on average to its customers. The aging analysis of these receivable is as follows:

	<b>As at 30th June 2009 (unaudited) HK\$'000</b>	As at 31st December 2008 (audited) HK\$'000
Within 30 days	<b>357</b>	233
31-90 days	<b>125</b>	573
Over 90 days	<b>290</b>	199
	<hr/> <b>772</b> <hr/>	<hr/> 1,005 <hr/>

## 12. ACCOUNTS PAYABLE

	<b>As at 30th June 2009 (unaudited) HK\$'000</b>	As at 31st December 2008 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities transactions ( <i>Note a</i> ):		
Cash clients ( <i>Note b</i> )	<b>69,842</b>	15,523
Margin clients	<b>5,687</b>	4,357
Brokers	<b>9</b>	–
	<hr/> <b>75,538</b> <hr/>	<hr/> 19,880 <hr/>

### Notes:

- (a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after trade date. These accounts payable are repayable on demand. Therefore, no aging analysis is disclosed as, in the opinion of the directors of the Company, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after trade date.
- (b) Included in accounts payable to cash clients was approximately HK\$3,000 (31st December 2008: HK\$150,000) due to key management personnel, directors and close member of directors, in respect of transactions in securities undertaken for their accounts.

### 13. SHARE CAPITAL

	<b>Authorized</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>Amount</b> <i>HK\$'000</i>
At 31st December 2008 and 30th June 2009	10,000,000,000	1,000,000
	<u>                    </u>	<u>                    </u>
	<b>Issued and fully paid</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>Amount</b> <i>HK\$'000</i>
At 1st January 2009	371,169,772	37,117
Exercise of share options	-	-
	<u>                    </u>	<u>                    </u>
At 30th June 2009	371,169,772	37,117
	<u>                    </u>	<u>                    </u>

### 14. SHARES HELD FOR SHARE PURCHASE SCHEME

As at 30th June 2009, the VC Share Purchase Scheme Trust acquired 792,000 shares of the Company (31st December 2008: 3,712,000) through purchase on the open market for the Share Purchase Scheme. The total amount paid to acquire the shares during the six months ended 30th June 2009 was HK\$601,000 (31st December 2008: HK\$4,813,000) and has been deducted from shareholders' equity.

As at 30th June 2009, the VC Share Purchase Scheme Trust transferred a total of 1,492,131 shares of the Company (31st December 2008: 1,228,000) to the awardees upon vesting of 1,228,000 shares on 1st April 2009 and 264,131 shares on 25th May 2009. The total cost of the related vested shares was HK\$1,793,000 (31st December 2008: HK\$1,592,000).

### 15. CAPITAL COMMITMENTS

As at 30th June 2009, the Group did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (31st December 2008: Nil).

**16. RELATED PARTIES TRANSACTIONS**

During the six months ended 30th June 2009, the Group entered into the following transactions:

	<b>Six months ended</b>	
	<b>30th June 2009 (unaudited) HK\$'000</b>	30th June 2008 (unaudited) HK\$'000
Technical, network and other service fees charged by related companies	<b>908</b>	1,382
Purchases of computer hardware and software from related companies	–	7
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	<b>74</b>	136
Brokerage commission income/interest income earned from a company with a common director	–	–
Interest expenses charged on loans from a major shareholder	<b>78</b>	4,197
Management fee paid to a related company	<b>371</b>	–
Financial advisory fees charged to the major shareholder	–	80
	<b>=====</b>	<b>=====</b>

The balances with related parties are set out on the consolidated statement of financial position.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30th June 2009 (six months ended 30th June 2008: Nil).

### DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30th June 2009 or at any time during such period.

### DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2009, 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 The Stock Exchange of Hong Kong Limited (“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	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	Corporate	165,163,008	44.50%	(2)
Dr. Lee Jun Sing	Held by controlled corporation	Corporate	6,299,702	1.70%	(3)
Mr. Sun, Patrick	Beneficial owner	Personal	840,000	0.23%	–

*Notes:*

1. As at 30th June 2009, 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 interest 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 (the Scheme was terminated on 15th August 2008)

Name of Director	Number of share options			Approximate % of issued share capital	Date of grant	Expiry date	Exercise price HK\$	
	Outstanding at 01.01. 2009	Granted during the period	Exercised during the period					Outstanding at 30.06.2009
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 30th June 2009, 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. During the period, 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

Name of Director	Number of awarded shares			Outstanding at 30.06.2009	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 01.01.2009	Awarded during the period	Vested during the period				
Mr. Sun, Patrick	420,000	-	(420,000)	-	-	18.08.2008	01.04.2009
	420,000	-	-	420,000	0.11%	18.08.2008	01.04.2010
	<u>840,000</u>	<u>-</u>	<u>(420,000)</u>	<u>420,000</u>	<u>0.11%</u>		

Notes:

- As at 30th June 2009, the total number of issued shares of the Company was 371,169,772.
- These awarded shares represent personal interest held by the Director as beneficial owner.
- During the period, no awarded shares mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2009, 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.

## **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

As at 30th June 2009, 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)
Citigroup Inc.	Person having a security interest in shares	27,000,000	7.27%	–

### Notes:

- As at 30th June 2009, the total number of issued shares of the Company was 371,169,772.
- 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.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares of the Company in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.
- 23,500,000 shares of the Company are 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 above, as at 30th June 2009, 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 to be kept under Section 336 of the SFO.

## SHARE OPTION SCHEME

At the 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 “2001 Share Option Scheme”) which superseded the previous share option scheme of the Company adopted on 14th March 2001. The 2001 Share Option Scheme was 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 commencement of dealings of the shares of the Company on the Main Board of the Stock Exchange. No further share options would thereafter be offered or granted under the 2001 Share Option Scheme but the share options previously granted but unexercised under the 2001 Share Option Scheme will remain valid and exercisable in accordance with their terms of issue.

At the annual general meeting of the Company held on 8th June 2009, the shareholders of the Company approved the adoption of a new share option scheme (the “2009 Share Option Scheme”) which complies with the Listing Rules. During the six months ended 30th June 2009, no share options were granted to any Directors/employees/substantial shareholders of the Company under the 2009 Share Option Scheme.

Movements of the share options, which were granted under the 2001 Share Option Scheme, during the six months ended 30th June 2009 are set out below:

Category of participant	Number of share options				Outstanding at 30.06.2009	Date of grant	Share options duration	Exercise price HK\$
	Outstanding at 01.01.2009	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period				
Directors <sup>1</sup>	982,114	-	-	-	982,114	09.07.2002	09.07.2002 to 08.07.2012	1.00
Directors <sup>2</sup>	2,400,000	-	-	-	2,400,000	27.12.2006	27.12.2006 to 26.12.2016	1.292
Employees <sup>1</sup>	24,942	-	-	-	24,942	09.07.2002	09.07.2002 to 08.07.2012	1.00
Employees <sup>1</sup>	2,430,000	-	-	-	2,430,000	25.03.2004	25.03.2004 to 24.03.2014	0.64
Others <sup>1</sup>	368,692	-	-	-	368,692	09.07.2002	09.07.2002 to 08.07.2012	1.00
Others <sup>1</sup>	850,000	-	-	-	850,000	25.03.2004	25.03.2004 to 24.03.2014	0.64
<b>Total</b>	<b>7,055,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,055,748</b>			

*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 share 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 share 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 “Long positions in the underlying shares of equity derivatives of the Company” under the section of “DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above.

## **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 shares of the Company 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. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and/or any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

### (i) Share Purchase Scheme

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the six months ended 30th June 2009 are set out below:

Category of participants	Number of awarded shares					Date of award	Vesting date
	Outstanding at 01.01.2009	Awarded during the period	Vested during the period	Lapsed/ cancelled during the period	Outstanding at 30.06.2009		
Director	420,000	-	(420,000)	-	-	18.08.2008	01.04.2009
Director	420,000	-	-	-	420,000	18.08.2008	01.04.2010
Sub-total	840,000	-	(420,000)	-	420,000		
Employees	808,000	-	(808,000)	-	-	18.08.2008	01.04.2009
Employees	836,000	-	-	-	836,000	18.08.2008	01.04.2010
Employees	-	264,131	(264,131)	-	-	25.05.2009	25.05.2009
Employees	-	264,131	-	-	264,131	25.05.2009	25.05.2010
Employees	-	263,738	-	-	263,738	25.05.2009	25.05.2011
Sub-total	1,644,000	792,000	(1,072,131)	-	1,363,869		
<b>Total</b>	<b>2,484,000</b>	<b>792,000</b>	<b>(1,492,131)</b>	<b>-</b>	<b>1,783,869</b>		

Details of the grant of awarded shares to the Directors are disclosed in the sub-section "Long positions in the underlying shares of equity derivatives of the Company" under the section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

### (ii) Share Subscription Scheme

During the six months ended 30th June 2009, no awards were granted by the Company to any employees of the Company and/or its subsidiaries under the Share Subscription Scheme.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30th June 2009.

## **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. During the six months ended 30th June 2009, the Company has applied the principles and complied with all the requirements set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Listing Rules, with one deviation 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 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.

The Company set up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Executive Committee;
- b. Audit Committee;
- c. Remuneration Committee;
- d. Nomination Committee;
- e. Finance Committee; and
- f. Regulatory Compliance Committee.

Terms of reference of all the aforesaid committees have been posted on the Company's website.

## **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 to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

The Group's interim report for the six months ended 30th June 2009 has been reviewed by the audit committee.

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

During the six months ended 30th June 2009, 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 Share Purchase Scheme has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 792,000 shares of the Company. The total amount paid to acquire these shares was HK\$601,000.

## **BOARD OF DIRECTORS**

As at the date of this report, the board of directors of the Company comprises Mr. Ho, Lawrence Yau Lung\* (Non-executive Chairman), Mr. Sun, Patrick# (Chief Executive Officer), Mr. Tsui Che Yin, Frank#, Dr. Lee Jun Sing\*, Dr. Tyen Kanhee, Anthony+, Mr. Sham Sui Leung, Daniel+ and Mrs. Chu Ho Miu Hing+.

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