VC GROUP
滙盈集團

Value Convergence Holdings Limited

A Hong Kong listed company with stock code: 821

www.vcgroup.com.hk

Annual Report 2009

Delivering Value
Through Excellence

Corporate Information

Directors

Dr. LEE Jun Sing+ *(Chairman)*
Mr. LAM Cho Ying, Terence Joe* *(Chief Executive Officer)*
Mr. CHAU King Fai, Philip*
Mr. CHENG Tze Kit, Larry* *(Chief Investment Officer)*
Ms. SO Wai Yee, Betty* *(Chief Financial Officer)*
Ms. WANG Ying+
Mr. LAM Kwok Hing, Wilfred^
Mr. TSE On Kin^
Mr. LAM Ka Wai, Graham^

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

Executive Committee

Mr. LAM Cho Ying, Terence Joe *(Chairman)*
Mr. CHAU King Fai, Philip
Mr. CHENG Tze Kit, Larry
Mr. NG Man Hoi, Paul Δ
Ms. FUNG Wai Har, Amanda Δ

Δ non-voting co-opted member

Audit Committee

Mr. LAM Ka Wai, Graham *(Chairman)*
Mr. LAM Kwok Hing, Wilfred
Mr. TSE On Kin

Remuneration Committee

Mr. LAM Kwok Hing, Wilfred *(Chairman)*
Mr. TSE On Kin
Mr. LAM Ka Wai, Graham

Nomination Committee

Mr. TSE On Kin *(Chairman)*
Mr. LAM Cho Ying, Terence Joe
Mr. CHAU King Fai, Philip
Mr. LAM Kwok Hing, Wilfred
Mr. TSE On Kin

Finance Committee

Mr. LAM Cho Ying, Terence Joe *(Chairman)*
Mr. CHAU King Fai, Philip
Mr. NG Man Hoi, Paul Δ
Ms. FUNG Wai Har, Amanda Δ

Δ non-voting co-opted member

Regulatory Compliance Committee

Mr. CHAU King Fai, Philip *(Chairman)*
Mr. LAM Cho Ying, Terence Joe
Ms. SO Wai Yee, Betty
Mr. NG Man Hoi, Paul
Ms. FUNG Wai Har, Amanda

Authorised Representatives

Mr. CHAU King Fai, Philip
Ms. WONG Yee Wah

Company Secretary

Ms. WONG Yee Wah

Registered Office

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

External Auditor

Deloitte Touche Tohmatsu

Principal Bankers

Standard Chartered Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar and Transfer Officer

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

Stock Code

The Stock Exchange of Hong Kong Limited: 821

Company Homepage/Website

http://www.vcgroup.com.hk

Contents

2009 was a year full of changes and challenges for the worlds' financial market and the Group.

With the financial tsunami in the fourth quarter of 2008 sweeping the whole world and the financial market of each country deeply impacted without exception, the confidence of investors dropped to a trough. To cope with the unprecedented financial crisis, governments and central banks jointly launched rescue programs by injecting substantial capital into the financial market to save endangered financial institutions and implementing lenient monetary policy to boost the economy. As a result, the world's economy managed to step out of the threat of depression during the year.

Under the stimulus of affluent capital and with better than expected economic key figures, the world's stock market rapidly rebounded since the middle of March 2009 and started a rally for a period as long as nine months.

As a major service provider in the local finance sector, Value Convergence Holdings Limited ("VC" or the "Company") and its subsidiaries (the "Group" or "VC Group") was inevitably affected by the impact of the financial tsunami on the Hong Kong equity market and the drop of the average daily transaction volume. With the solid presence in the Greater China region, sound balance sheet, and premium investment and wealth management products and services, as well as the opportunely substantial rise in equity market in year 2009, the Group was able to possess definite competitive advantages to manage to weather the storm and continue to provide value for the investment of shareholders.

As abovementioned, 2009 was a year full of changes for the Group. On 24th September 2009, Melco Financial Group Limited, a wholly-owned subsidiary of Melco International Development Limited ("Melco"), had completed the disposal of all 160,930,380 shares, representing approximately 43.24% of the total issued share capital of the Company as at the date hereof, and the Company then ceased to be an associated company of Melco. At the same time, the members of the Board of Directors and the senior management of the Company were also changed.

Although the Company went through changes in shareholding structure and senior management during the year under review, the core business and business objectives of the Company remained the same, still focusing on the business of 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. By injecting new dynamics into the management, the Company had become more energetic, vigorous and responsive to market needs, which would enable the Company to achieve new business peaks in future.

Looking ahead, the management expects 2010 to be still challenging to the financial sector. The management can only hold a conservatively optimistic attitude towards the economy and investment market for the coming year. However, the Group is optimistic for the long term outlook of our financial services. We shall enhance operation efficiency and strengthen cost control to cope with increasing competition in the market. We shall strive to develop our core business and strengthen our competitive advantages to capture business opportunities as well as suitable investment projects with high return in order to develop the Group to be a leading financial service provider in the Greater China region 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. I believe that with the Group's diversified financial services and the professionally knowledgeable management team and the solid and continuous backup of our business partners, we are able to seize any opportunities that promise to deliver greater returns for our shareholders.

Dr. Lee Jun Sing
Chairman

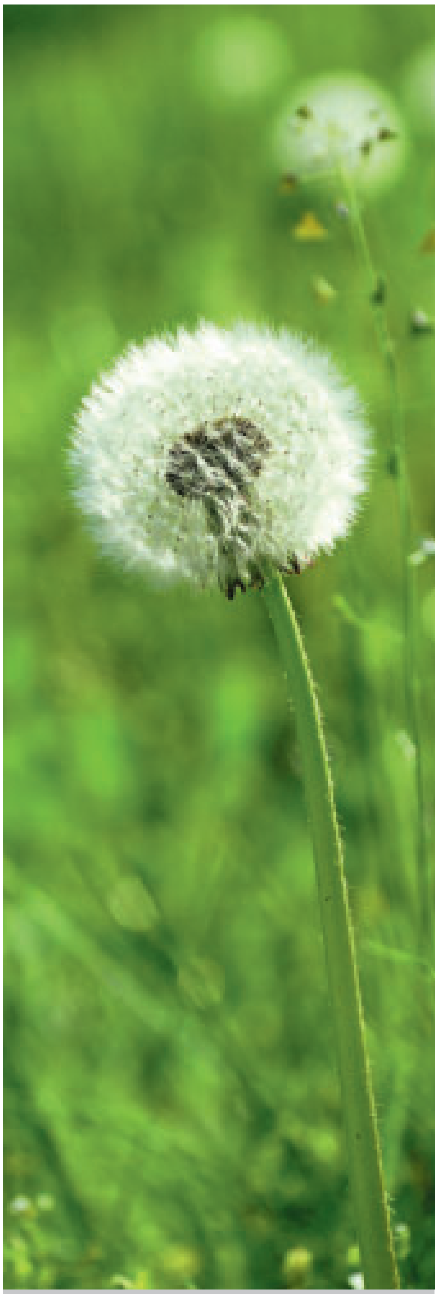
Hong Kong, 29th March 2010

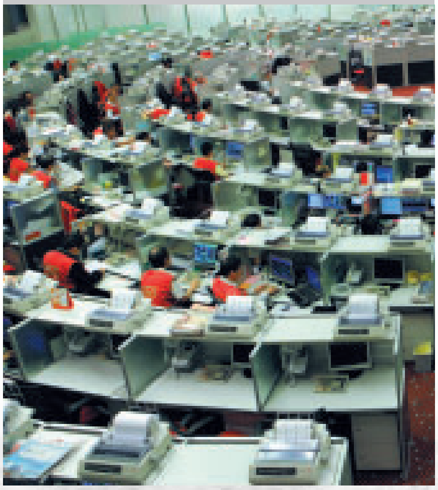
"It is the best of times, it is the worst of times." Charles Dickens once wrote this famous line in his book best described VC Group for the year of 2009. Market has seen a quick rebound from the low and also has witnessed the change of ownership of our Group. Irregardless of the above, the management embraces changes positively and rises to the occasion of meeting the challenges. Going forward, we will just focus better, work smarter and mobilize ourselves quicker to cope with the ever-changing market environment.

Lam Cho Ying, Terence Joe
Chief Executive Officer

Hong Kong, 29th March 2010

The Company is an established financial services group committed to delivering premier 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.

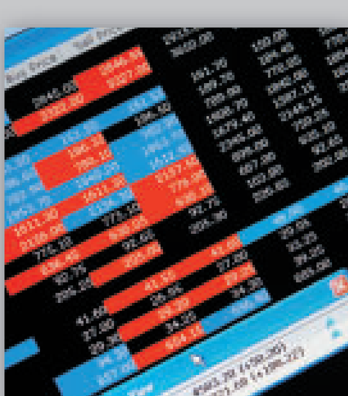




SIGNIFICANT EVENTS AND DEVELOPMENTS

On 8th September 2009, the Company entered into a placing agreement (the "Placing Agreement") with China Everbright Securities (HK) Limited (the "Placing Agent"), pursuant to which the Company had appointed the Placing Agent to procure independent subscribers for convertible bonds with a principal amount of HK$300 million (the "First Convertible Bonds") at the conversion price of HK$1.0 per share and with a maturity date of 2 years from the date of issue. This aims to further enhance the competitiveness and capital base of the Group, as well as bring in strategic investors which are beneficial to the long term development of the Group. Under the terms of the First Convertible Bonds, the bondholders who convert the First Convertible Bonds within one year from the date of issue of the First Convertible Bonds will be granted options (the "Optional Bonds") which will entitle them to subscribe for further convertible bonds equal to the principal amount of the First Convertible Bonds. Accordingly, further convertible bonds with a principal amount of HK$300 million may be issued. On 18th September 2009, the Company and no fewer than six subscribers entered into separate subscription agreement (the "Subscription Agreement") in relation to the issue and subscription of the First Convertible Bonds. Approval for the issuance of the First Conversion Bonds and the Optional Bonds had been obtained from the shareholders during the extraordinary general meeting held on 2nd November 2009.

On 30th November 2009, the Company issued a part of the First Convertible Bonds in principal amount of HK$10 million to one subscriber. Meanwhile, the Company and the remaining subscribers had entered into extension agreement to, amongst other matters, extend the completion dates under their respective



Subscription Agreement to 31st December 2009. The completion date had been further extended from 31st December 2009 to 1st March 2010 by the second extension agreement.

On 1st March 2010, the remaining HK$290 million of the First Convertible Bonds had been repudiated by the Company as the relevant subscribers had failed to comply with their obligations on completion under their respective subscription agreements. However, this will not have any material adverse impact on the Group's liquidity or financial position. Subject to market conditions, the Directors of the Company intend to explore alternative ways to raise financing for the Group's business expansion plans.

Besides, on 24th September 2009, Melco Financial Group Limited, a wholly-owned subsidiary of Melco, had completed the disposal of all 160,930,380 shares, representing approximately 43.24% of the total issued share capital of the Company as at the date hereof, and the Company then ceased to be an associated company of Melco.

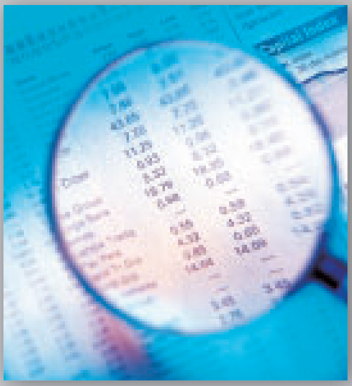
BUSINESS REVIEW

With the financial tsunami in the fourth quarter of 2008 sweeping the whole world and the financial market of each country deeply impacted without exception, the confidence of investors dropped to a trough.

To cope with the unprecedented financial crisis, governments and central banks jointly launched rescue programs. The US government injected US$700 billion and the Europe 15 countries jointly executed a EURO 1,300 billion rescue plan and committed to provide unlimited guarantee to the liabilities of banks and share acquisition by government when necessary.

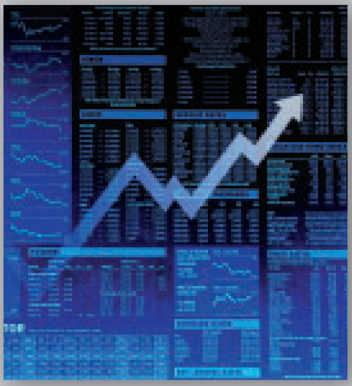
With the threat of the international financial tsunami spreading to all countries and the growth of global economy rapidly slowing down, China launched a RMB4,000 billion rescue plan to stimulate domestic demand and ensure a stable growth and sustain of the economic growth 30 years since economic reform.

Under the stimulus of affluent capital and with better than expected economic key figures, the world's stock market rapidly rebounded since the middle of March of 2009 and started a rally for a period as long as nine months. The Dow Jones index closed at 10,428 points, up 1,651 points or 18.82% for the year. Nasdaq closed at 2,269, up 43.89%. The China market was most outstanding with the Shanghai and Shenzhen stock market recorded a rise of 80% and 117% individually.



During the year under review, the economic conditions in Hong Kong continued to be challenging. In spite of the rise of the stock market for three quarters in 2009, the shadow of the financial tsunami still existed and the confidence of Hong Kong investors had not fully recovered. The Hong Kong Hang Seng Index once peaked at 22,943 and ended the year with 21,872, up 7,485 points and 52%, from 14,387 at the beginning of 2009. The H share index also rose by 62.12% for the year and closed at 12,794 points. The total market capitalization of the Hong Kong stock market increased by HK$7,600 billion to HK$17,900 billion. However, the index was still not able to reach the level before the financial tsunami. The average daily turnover of the Hong Kong stock market for the year under review was about HK$62.3 billion compared to approximately HK$72.1 billion for the same period in 2008, a drop of 13.5% or HK$9.8 billion. The decline in overall trading volume reflected investor reservation resulting from the lack of direction of the market.

As one of the major service providers in the local finance sector, the Group's business performance was inevitably affected by the impact of the financial tsunami towards the Hong Kong equity market and the drop of the average daily turnover. However, with the solid presence in the Greater China region, sound balance sheet, and premium investment and wealth management products and services, as well as the opportunely substantial rise in equity market in 2009, the Group was able to possess definite competitive advantages to manage to weather the storm and continue to provide value for the investment of our shareholders. Notwithstanding the changes in the shareholding structure and the senior management from September 2009, the Group had managed to grow up in line with the Hong Kong equity market, especially in the fourth quarter of 2009. Our core business and business objectives remained the same, still focusing



on the business of 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. Details of the financial results for 2009 please refer to the section “Financial Review” below.

OUTLOOK

Looking ahead, the Group expects 2010 to be still challenging to the financial sector. The world’s financial market still faces uncertain factors. The US and European governments and their central banks have pumped substantial fund into financial systems to prevent a complete economic meltdown but the arising of potential financial crisis in Dubai, Portugal, Ireland, Italy, Greece, Spain and Eastern Europe has proven that most of these efforts have yet to take effect. Other uncertain factors include the withdrawal of government capital from investment markets and the possibility of a rise in interest and inflation rate. The possibility of stagflation exists amid a high unemployment rate in the USA. China is likely to tighten the control policy of the stock and property market in order to avoid an overheated economy, which will give impact to the global financial market.

Although Hong Kong financial market seems to have rebound in the fourth quarter of 2009, the Group believes with the global economy still uncertain. The picture in China, however, looks more promising. Fundamentally China was not seriously impacted by the financial tsunami and the RMB4,000 billion economic stimulus program of the Chinese Government has been effective in bolstering domestic demand. With an 8% GDP growth in year 2009, 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 market rebounds in the future.

FINANCIAL REVIEW

Affected by poor market sentiments, for the year ended 31st December 2009, the Group’s consolidated revenue was approximately HK$135.7 million, a slightly increase of about 5% compared with the same period in 2008. The Group recorded a consolidated loss attributable to shareholders amounting to HK$22.5 million for the year ended 31st December 2009 against a profit of HK$7.6 million for the same period in 2008. The loss for the current year was mainly attributable to the recognition of (1) the fair value of the 16,800,000 share options granted on 26th November 2009 amounting to approximately HK$15 million (in which part of this was included in segment results and part thereof in unallocated costs); (2) the loss of approximately HK$13.5 million mainly arising from the impairment loss made on the capitalised property development costs of the Macau Land held by the Group’s jointly controlled entities; (3) the fair value changes in relation to the HK$10 million convertible bonds issued on 30th November 2009 amounting to approximately HK$1.2 million; and (4) the relevant legal and professional fees incurred for the convertible bonds issue amounting to approximately HK$2.2 million. Excluding these major non-cash and/or non-recurring nature items, the Group generated a profit of approximately HK$9.4 million for the year ended 31st December 2009.

To facilitate the review, the segmental information shown in note 7 to the consolidated financial statements is reproduced below after some re-arrangements:

	Year ended 31st December 2009 *HK$'000*	Year ended 31st December 2008 *HK$'000*
Segmental result: Brokerage	**18,011**	17,083
Segmental result: Corporate Finance	**(7,857)**	(4,546)
Segmental result: Asset Management	**(4,656)**	(4,935)
Group operating profit	**5,498**	7,602
Share of loss of jointly controlled entities	**(13,494)**	(2,124)
Fair value changes on financial liabilities designated at fair value through profit or loss	**(1,184)**	–
Unallocated (costs) income	**(9,004)**	3,486
(Loss) profit before taxation	**(18,184)**	8,964
Income tax expense	**(4,330)**	(1,388)
(Loss) profit for the year	**(22,514)**	7,576

Brokerage

For the year ended 31st December 2009, although average market turnover shrank by more than approximately 14% year-on-year, the Group was able to increase market share thanks to its proactive business strategy and efforts in boosting relationship with clients. As a whole, the Group's brokerage business recorded revenue of approximately HK$130.3 million for the year ended 31st December 2009, representing an increase of 6% from HK$123 million for the same period last year. With market turnover down and IPO activities held back in 2009, the Group's interest income from margin financing business dipped substantially by approximately HK$5.6 million to HK$27.8 million, representing a drop of approximately 17% compared with the same period last year. Our average loan portfolio for margin financing was squeezed by approximately 17% year-on-year to approximately HK$221.5 million in 2009, resulting in the decline in revenue from interest income. Brokerage commission had however increased sharply by approximately HK$11.9 million to HK$94.5 million, representing a rise of approximately 14% compared with the same period last year. Net brokerage commission income had increased slightly by 0.7% to approximately HK$32.5 million. In addition, asset quality remained benign with more than needed provision for the Group to write back approximately HK$2.2 million as a one-off income for the year under review.

Overall, the operating profit before taxation generated from the brokerage business was approximately HK$18 million (2008: HK$17.1 million) for the year under review, representing an increase of approximately 5% year-on-year, which was promising.

Corporate Finance

The Group's corporate advisory and related businesses recorded revenues totaling approximately HK$6.2 million (2008: HK$7.4 million) and operating loss before taxation of approximately HK$7.9 million (2008: HK$4.5 million) for the year ended 31st December 2009. The weak performance was mainly the result of a lackluster fund raising market during the year.

Generally, 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 as a whole.

Asset 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 "Macau Land"). 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 management project, which will focus on developing mid- to high-end residential properties in Macau. With the hit of the financial tsunami, fund raising has become more challenging and as a result, the Group has to consider alternative exit plans for the project. 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 Group is actively pursuing new business opportunities to grow its asset management business so as to enhance our product and service offerings to cater for the diverse and growing needs of the customers.

For the year ended 31st December 2009, the asset management business recorded an operating loss before taxation of approximately HK$4.7 million (2008: HK$4.9 million). Such loss was primarily incurred for the staff costs and professional fees relating to the establishment of the aforementioned fund or project for the year.

Share of loss of jointly controlled entities

For the year ended 31st December 2009, the Group had recognised a loss of approximately HK$13.5 million from the JV Company, which was mainly caused by the impairment loss made on the capitalised property development costs of the Macau Land held by the JV Company in accordance with a valuation report prepared by an independent valuer as at 31st December 2009.

Fair value changes on financial liabilities designated at fair value through profit or loss

As aforementioned, the Company had issued the convertible bonds in principal amounting to HK$10 million (the "Convertible Bonds") on 30th November 2009, which were classified as financial liabilities designated at fair value through profit or loss and were measured at fair value. As at 31st December 2009, the carrying amount of the Convertible Bonds was approximately HK$11.2 million in accordance with a valuation report prepared by an independent valuer as at 31st December 2009. As such, the Group had recognised an increase in fair value of the Convertible Bonds of approximately HK$1.2 million for the year ended 31st December 2009.

Unallocated (costs) income

The unallocated costs of the Group was approximately HK$9 million for the year ended 31st December 2009 compared to an unallocated income of approximately HK$3.5 million for the same period in 2008. The increase in unallocated expenses for the year was primarily due to the inclusion of the relevant legal and professional fees incurred for the issue of the Convertible Bonds amounting to approximately HK$2.2 million, and the unallocated equity-settled share-based payments for share options and share awards granted to the Directors of the Company and employees of the Group amounting to approximately HK$8.3 million in 2009.

Finance costs

During the year ended 31st December 2009, the finance costs of the Group decreased substantially to approximately HK$1.5 million (2008: HK$7 million), in which almost all were charged to the brokerage business. The decrease in finance costs for the year was primarily due to the full repayment of the loans from a former shareholder in early 2009.

Income tax expense

During the year ended 31st December 2009, the income tax expense of the Group amounted to approximately HK$4.3 million (2008: HK$1.4 million). The substantial increase in income tax expense for the year was primarily due to the provision of income tax charge in relation to the profitability generated from the brokerage business in 2009.

Liquidity and financial resources/capital structure

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

The Group held banking facilities of HK$150 million from various banks granted to a subsidiary, VC Brokerage Limited ("VC Brokerage"), as at 31st December 2009 (2008: HK$185 million) and HK$50 million (2008: HK$60 million) of these banking facilities had to be secured by VC Brokerage's margin clients' listed securities. As at 31st December 2009, the Group had no outstanding bank borrowings (2008: Nil).

As at 31st December 2009, the Group had no outstanding debts to a former shareholder, Melco (2008: HK$41.9 million), which had been fully repaid in early 2009 using the internal resources.

As at 31st December 2009, the Group's net current assets, cash available and shareholders' funds (other than clients' segregated accounts) amounted to approximately HK$521.3 million (2008: HK$501.3 million), HK$93.9 million (2008: HK$301.9 million) and HK$608.4 million (2008: HK$612.1 million) respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 8.4 (2008: 7.5).

The Group adopts a prudent treasury policy. All borrowings and almost all the bank balances and cash were denominated in Hong Kong dollars as at 31st December 2009. The Group intends to maintain minimum exposure to foreign exchange risks. Further, all the bank balances were put in saving deposits and current accounts as at 31st December 2009.

As at 31st December 2009, the total number of issued ordinary shares of the Company was 374,590,829 of HK$0.10 each (2008: 371,169,772 shares of HK$0.10 each). The increase for the year was due to the exercise of share options by the Directors of the Company and the employees of the Group.

Further, as aforementioned, the Company had issued the Convertible Bonds in principal amount of HK$10,000,000 maturing on 30th November 2011, which entitle the bondholder to convert the same to 10,000,000 ordinary shares of the Company at a conversion price of HK$1.0 per ordinary share between 1st March 2010 and 29th November 2011, and carry interest of 1.0% per annum.

Charges on group assets

As at 31st December 2009, the Group had made a HK$40 million charge over deposits to a bank for securing banking facilities of HK$80 million granted to VC Brokerage in short-term money market loan and current account overdraft (2008: Nil).

Gearing ratio

As at 31st December 2009, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, loans from a shareholder and convertible bonds) over shareholders' equity, was at a satisfactory level of 0.02 times (2008: 0.07 times).

Corporate governance

The Company has in place a Code on Corporate Governance Practices (the "Code"), which sets out the corporate standards and practices used by the Company 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 of Hong Kong Limited (the "HKSE Code") and came into effect on 1st January 2005. The Code not only formalizes the Company's existing corporate governance principles and practices, but has also served to assimilate the Company's practices with benchmarks prescribed by the HKSE Code, and ultimately ensuring that the Company runs a highly transparent operation and is accountable to the Company's shareholders.

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

During the year ended 31st December 2009, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

Headcount and employees information

As at 31st December 2009, the Group had a total of 105 employees (2008:119), of whom 102 (2008: 117) were stationed in Hong Kong and 3 (2008: 2) in the People's Republic of China (the "PRC").

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK$48.7 million and HK$53.5 million respectively for the year ended 31st December 2009 (2008: HK$38.1 million and HK$43 million respectively). 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, discretionary performance-based bonus, discretionary share options and share awards. Training and development programs are also provided to employees from time to time.

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. Almost all of 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 31st December 2009, the Group had no known plans with regard to material investments or capital assets. Material capital expenditure will be incurred when the Group begins to pursue different investments or projects in the coming years. The Group will finance the respective investments or projects using its internal resources and/or different financing options available, whichever should be deemed appropriate. As at 31st December 2009, the Group had made commitments contracted but not provided for in the financial statements in respect of purchase of property, plant and equipment in relation to the upgrade and enhancement of internet trading and internal infrastructure systems for approximately HK$855,000 (2008: Nil).

Contingent liabilities

As at 31st December 2009, the Company had given financial guarantees of HK$130 million (2008: HK$160 million) to a bank in respect of banking facilities provided to VC Brokerage. As at 31 December 2009, no banking facilities was utilised by VC Brokerage (2008: Nil).

Events occurring after reporting date

Subsequent to the reporting date, on 27th January 2010, VC Financial Group entered into a Sale and Purchase Agreement ("VCC Agreement") with a third-party purchaser to dispose of 9.9% of the issued share capital of VC Capital Limited, a wholly-owned subsidiary of VC Financial Group, at a cash consideration of HK$1,600,000 ("VCC Consideration"). The VCC Consideration should be settled by a deposit of 10% within 7 business days of the date of execution of the VCC Agreement and the balance shall be paid upon completion of the VCC Agreement, which is conditional upon the satisfaction of certain conditions precedent. The transaction had been completed on 10th February 2010.

Meanwhile, on 27th January 2010, VC Financial Group entered into a Sale and Purchase Agreement ("VCAM Agreement") with a third-party purchaser to dispose of 9.9% of the issued share capital of VC Asset Management Limited, a wholly-owned subsidiary of VC Financial Group, at a cash consideration of HK$600,000 ("VCAM Consideration"). The VCAM Consideration should be settled by a deposit of 10% within 7 business days of the date of execution of the VCAM Agreement and the balance shall be paid upon completion of the VCAM Agreement, which is conditional upon the satisfaction of certain conditions precedent. The transaction had been completed on 10th February 2010.

DIRECTORS

Dr. LEE Jun Sing

Non-executive Director (Chairman)

Dr. Lee, aged 63, one of the founders of the Company, joined the Company in January 2000 and was appointed as the Chairman on 23rd September 2009. Before acting as 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 iSinolaw Limited and Bio-Cancer Treatment International 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.

Mr. LAM Cho Ying, Terence Joe

Chief Executive Officer & Executive Director

Mr. Joe Lam, aged 48, joined the Group in April 2004. Before he has been appointed as the Chief Executive Officer and Executive Director of the Company, he was the Managing Director of VC Brokerage Limited, a wholly owned subsidiary of the Company. Currently, he is the Chairman of the Executive Committee and Finance Committee, a member of the Nomination Committee and Regulatory Compliance Committee and a director of certain subsidiaries of the Company.

Mr. Joe 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. Joe Lam holds a bachelor degree from University of Houston majoring in finance and marketing.

Mr. CHAU King Fai, Philip

Executive Director

Mr. Chau, aged 48, joined the Group in May 2004. Currently, Mr. Chau is the Managing Director of VC Capital Limited, a subsidiary of the Company. He is also the Chairman of the Regulatory Compliance Committee, a member of the Executive Committee, Nomination Committee and Finance Committee and a director of certain subsidiaries of the Company.

Mr. Chau has over 20 years of experience in banking and corporate finance. He has held senior positions 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. CHENG Tze Kit, Larry

Chief Investment Officer & Executive Director

Mr. Cheng, aged 53, joined the Company as Non-executive Director in November 2009 and re-designated as Executive Director in December 2009. Currently, Mr. Cheng is the Chief Investment Officer and a member of the Executive Committee of the Company. Before joining the Group, Mr. Cheng was a director of Asia Consultants International Limited. Moreover, he was an independent non-executive director of Long Success International (Holdings) Limited (Stock Code: 8017), a company listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an executive director of Anex International Holdings Limited (Stock Code: 723, now known as "Bright Prosperous Holdings Limited"), a company listed on the Main Board of the Stock Exchange.

Mr. Cheng has over 20 years of experience in real estate development and mergers and acquisitions in Hong Kong, Canada and the PRC. He graduated with a Bachelor of Science (Hons) in Engineering from City University, London. Mr. Cheng is a Chartered Engineer of United Kingdom and a member of the Institution of Mechanical Engineers, the Institution of Engineering and Technology and the Chartered Institution of Building Services Engineers.

Ms. SO Wai Yee, Betty

Chief Financial Officer & Executive Director

Ms. So, aged 28, joined the Company as Non-executive Director in November 2009 and re-designated as Executive Director in January 2010. Currently, she is the Chief Financial Officer and a member of the Regulatory Compliance Committee of the Company. Before joining the Group, Ms. So was an independent non-executive director and a member of the audit committee and the remuneration committee of China Public Procurement Limited (Stock Code: 1094, formerly known as "Sunny Global Holdings Limited"), a company listed on the Main Board of the Stock Exchange, and the financial controller of China Metal Resources Holdings Limited (Stock Code: 8071), a company listed on the GEM of the Stock Exchange.

Ms. So has several years working experience in one of the major international accounting firms in Hong Kong. She graduated with a Bachelor of Business Administration (Accounting & Finance) degree from The University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. WANG Ying

Non-executive Director

Ms. Wang, aged 57, joined the Company as Non-executive Director in January 2010. Currently, Ms. Wang is President and Co-Founder of United Global Resources, LLC, which is engaged in worldwide energy technology and minerals acquisition. Furthermore, she is the chairman of the advisory board of Mount Knowledge USA Inc., a learning technology company, currently launching an advanced ESL (English Language Learning) software product in China. She is also the director of the board of Tianjin Commodity Exchange, the first privately owned commodity exchange in China and the president of China Business Consulting Inc. (USA) and Asia Consultants International Limited (HK).

From 1992 to 2002, Ms. Wang served as Vice President and Senior Advisor of the Cathay China Direct Investment Fund. She has participated in numerous joint ventures, initial public offering, trade and educational projects between the United States of America ("USA") and China.

Ms. Wang also actively participates in non-profit programs. She serves as a member of the Board of the US Association for the UN University for Peace (UPEACE/US) and a member of the China Advisory Committee of the Grameen Foundation USA.

Ms. Wang received a Bachelor of Art from Tsinghua University, Beijing, China and a Master of Public Administration from Harvard University, USA. She has worked in the Chinese Government for 16 years. During her service in the Chinese Government, she was an English translator for top Chinese leaders, including the President and the Premier. She has served as Division Chief for Foreign Liaison and the Project Director for UNICEF WID. She also represented China on the Executive Board of UNICEF from 1989 to 1990.

Mr. LAM Kwok Hing, Wilfred

Independent Non-executive Director

Mr. Wilfred Lam, aged 50, joined the Company as Independent Non-executive Director in January 2010. Mr. Wilfred Lam is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Wilfred Lam is the Justice of Peace of the Hong Kong Special Administrative Region of the People's Republic of China and has been awarded Queen's Badge of Honour in January 1997. Moreover, he is a senior associate of Philip KH Wong, Kennedy YH Wong & Co., Solicitors & Notaries. He is also a non-executive director of Vertex Group Limited (Stock Code: 8228), a company listed on the GEM of the Stock Exchange.

Mr. Wilfred Lam holds a bachelor's degree in Law with honours from the University of Hong Kong and is a practising solicitor of Hong Kong. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong. Being an active member in social and charity activities, Mr. Wilfred Lam is a Support Force Commander of the Civil Aid Service and Director of the Kwai Tsing District Community Development Fund in Hong Kong. He is also an executive member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province.

Mr. TSE On Kin

Independent Non-executive Director

Mr. Tse, aged 48, joined the Company as Independent Non-executive Director in January 2010. Mr. Tse is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Currently, Mr. Tse is the chairman and an executive director of Kong Sun Holdings Limited (Stock Code: 295), China Grand Forestry Green Resources Group Limited (Stock Code: 910) and Climax International Company Limited (Stock Code: 439), and a non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351), all companies being listed on the Main Board of the Stock Exchange. Mr. Tse was the former chairman of New Times Energy Corporation Limited (Stock Code: 166) and Asia Energy Logistics Group Limited, an executive director of Mexan Limited (Stock Code: 22) and a non-executive director of Climax International Company Limited and New Times Energy Corporation Limited.

Mr. Tse has over 20 years of management experience covering corporate planning, restructuring, business development, project injection, merger and acquisition. He has a bachelor's degree in Public Policy and Administration from York University in Canada.

Mr. LAM Ka Wai, Graham

Independent Non-executive Director

Mr. Graham Lam, aged 42, joined the Company as Independent Non-executive Director in January 2010. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. Currently, Mr. Graham Lam is the Managing Director and Head of Corporate Finance of an investment bank. He is an independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), Applied Development Holdings Limited (Stock Code: 519), China Fortune Group Limited (Stock Code: 290), ZZNode Technologies Company Limited (Stock Code: 2371), China Sonangol Resources Enterprise Limited (Stock Code: 1229) and Pearl Oriental Innovation Limited (Stock Code: 632), all companies being listed on the Main Board of the Stock Exchange; and China Railway Logistics Limited (Stock Code: 8089) and Finet Group Limited (Stock Code: 8317), both companies being listed on the GEM of the Stock Exchange.

Mr. Graham Lam graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Graham Lam has around 16 years experience in investment banking as well as around 4 years experience in accounting and auditing.

SENIOR MANAGEMENT

Mr. NG Man Hoi, Paul

Chief Operating Officer

Mr. Ng, aged 52, possesses over 24 years of experience in the finance and banking industry. He is also a member of the Regulatory Compliance Committee, a non-voting member of the Executive Committee and Finance Committee and a director of certain subsidiaries of the Company. Mr. Ng joined the CEF Group in 1992 and was transferred to the present VC Brokerage Limited in December 2001. He was appointed as Chief Operating officer of the Company in January 2003. 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..

Mr. WONG Man Hin, Charles

Managing Director of VC Brokerage Limited

Mr. Wong, aged 45, joined the Group in June 2004. Mr. Wong has more than 20 years of experience in securities and financial industry. Prior to joining the Group, Mr. Wong held senior management positions at various financial institutions including Kim Eng Securities (Hong Kong) Limited, Ong Asia Securities (HK) Limited, Core Pacific – Yamaichi International (H.K.) Limited and Yuanta Brokerage (HK) Limited.

Mr. Wong is a graduate of the University of East Asia, Macau and holds a Bachelor of Business Administration degree majoring in marketing.

Ms. FUNG Wai Har, Amanda

Finance Director

Ms. Fung, aged 38, rejoined the Group in September 2009. Currently, she is a member of the Regulatory Compliance Committee and a non-voting member of the Executive Committee and Finance Committee. Ms. Fung has over 15 years extensive professional experience in the auditing, information technology, investment and financial services, leisure and entertainment sectors. Prior to rejoining the Group, she worked at Melco International Development Limited as Financial Controller from 2005 to 2009. She is a Fellow Member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Arts (Honours) Degree in Accountancy from The Hong Kong Polytechnic University.

The management of the Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. As such, 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.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with the aforementioned 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 1 January 2005. In addition to formalising 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 under the section "Corporate Governance".

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

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the financial year ended 31st December 2009 with one deviation mentioned below:

Under the code provision A.4.1 of the HKSE Code, non-executive directors should be appointed for a 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. However, under the article 92 of the articles of association of the Company (the "Articles of Association"), all Directors, including non-executive directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company ("AGM") and each director is effectively appointed under an average term of 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.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the Company Code and the HKSE 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 director 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 nine Directors, with four Executive Directors, namely, Mr. Lam Cho Ying, Terence Joe (Chief Executive Officer), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry (Chief Investment Officer) and Ms. So Wai Yee, Betty (Chief Financial Officer); two Non-executive Directors, namely, Dr. Lee Jun Sing (Chairman) and Ms. Wang Ying; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Tse On Kin and Mr. Lam Ka Wai, Graham. The non-executive directors and independent non-executive directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management. Their mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

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.

Under the Article 101 of the Articles of Association, one third of the Directors must retire, thus becoming eligible for re-election at each annual general meeting. This year, Dr. Lee Jun Sing will retire at the forthcoming annual general meeting and being eligible to offer himself for re-election.

Furthermore, under the Article 92 of the Articles of Association, any director so appointed 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. As such, the following directors shall also retire at the forthcoming annual general meeting and all being eligible to offer themselves for re-election.

Name of Directors	Appointment Date
Mr. Lam Cho Ying, Terence Joe	23rd September 2009
Mr. Chau King Fai, Philip	23rd September 2009
Mr. Cheng Tze Kit, Larry	20th November 2009
Ms. So Wai Yee, Betty	20th November 2009
Ms. Wang Ying	4th January 2010
Mr. Lam Kwok Hing, Wilfred	4th January 2010
Mr. Tse On Kin	4th January 2010
Mr. Lam Ka Wai, Graham	4th January 2010

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 eight meetings for the year 2009. The Chief Financial Officer and the Company Secretary of the Company also attended 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 for the 2009 which illustrate the attention given by the Board in overseeing the Company's affairs:

	No. of meetings attended/held in 2009	Attendance rate	*Note*
Current Directors			
Dr. Lee Jun Sing+ *(Chairman)*	8/8	100%	1
Mr. Lam Cho Ying, Terence Joe* *(Chief Executive Officer)*	3/3	100%	2
Mr. Chau King Fai, Philip*	3/3	100%	3
Mr. Cheng Tze Kit, Larry* *(Chief Investment Officer)*	2/2	100%	4
Ms. So Wai Yee, Betty* *(Chief Financial Officer)*	2/2	100%	5
Ms. Wang Yang+	N/A	N/A	6
Mr. Lam Kwok Hing, Wilfred^	N/A	N/A	7
Mr. Tse On Kin^	N/A	N/A	8
Mr. Lam Ka Wai, Graham^	N/A	N/A	9

	No. of meetings attended/held in 2009	Attendance rate	*Note*
Ex-directors			
Mr. Ho, Lawrence Yau Lung+	5/5	100%	10
Mr. Patrick Sun*	5/5	100%	11
Mr. Tsui Che Yin, Frank+	7/8	87.5%	12
Mr. Sham Sui Leung, Daniel^	8/8	100%	13
Dr. Tyen Kanhee, Anthony^	8/8	100%	14
Mrs. Chu Ho Miu Hing^	8/8	100%	15

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

Notes:

1. Dr. Lee Jun Sing was elected as the Chairman of the Company with effect from 23rd September 2009.

2. Mr. Lam Cho Ying, Terence Joe was appointed as an Executive Director of the Company on 23rd September 2009. He was also appointed as Chief Executive Officer on 20th October 2009.

3. Mr. Chau King Fai, Philip was appointed as an Executive Director of the Company on 23rd September 2009.

4. Mr. Cheng Tze Kit, Larry was appointed as a Non-executive Director of the Company on 20th November 2009 and re-designated from a Non-executive Director to an Executive Director of the Company on 16th December 2009. He was also appointed as Chief Investment Officer on 1st January 2010.

5. Ms. So Wai Yee, Betty was appointed as a Non-executive Director of the Company on 20th November 2009 and re-designated from a Non-executive Director to an Executive Director of the Company on 18th January 2010. She was also appointed as Chief Financial Officer on 18th January 2010.

6. Ms. Wang Ying was appointed as a Non-executive Director of the Company on 4th January 2010.

7. Mr. Lam Kwok Hing, Wilfred was appointed as an Independent Non-executive Director of the Company on 4th January 2010.

8. Mr. Tse On Kin was appointed as an Independent Non-executive Director of the Company on 4th January 2010.

9. Mr. Lam Ka Wai, Graham was appointed as an Independent Non-executive Director of the Company on 4th January 2010.

10. Mr. Ho, Lawrence Yau Lung resigned as a Non-executive Director of the Company on 23rd September 2009. He also ceased as the Chairman at the same date.

11. Mr. Patrick Sun resigned as an Executive Director of the Company on 2nd October 2009.

12. Mr. Tsui Che Yin, Frank was re-designated from an Executive Director to a Non-executive Director of the Company on 23rd September 2009. He resigned as a Non-executive Director of the Company on 16th December 2009.

13. Mr. Sham Sui Leung, Daniel resigned as an Independent Non-executive Director of the Company on 4th January 2010.

14. Dr. Tyen Kanhee, Anthony resigned as an Independent Non-executive Director of the Company on 4th January 2010.

15. Mrs. Chu Ho Miu Hing resigned as an Independent Non-executive Director of the Company on 16th December 2009.

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 2009.

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 contained in Appendix 10 of the Listing Rules (the "Model Code"). 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 2009.

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

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 currently is chaired by Mr. Lam Cho Ying, Terence Joe and other members include Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry 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 established on 14th March 2001. The Audit Committee consists of three independent non-executive directors. One of the independent non-executive directors has the appropriate professional qualifications, accounting or related financial management expertise. In 2009, the Audit Committee was chaired by Dr. Tyen Kanhee, Anthony and the other members included Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. Mrs. Chu Ho Miu Hing resigned as an independent non-executive director of the Company on 16th December 2009. On 4th January 2010, Dr. Tyen Kanhee, Anthony and Mr. Sham Sui Leung, Daniel also resigned as an independent non-executive directors of the Company. They all ceased to be the Audit Committee members after their resignations. Currently, the Audit Committee is chaired by Mr. Lam Ka Wai, Graham and other members include Mr. Lam Kwok Hing, Wilfred and Mr. Tse On Kin, who were all appointed on 4th January 2010.

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 roles and functions of the Audit Committee are available on the Company's website under the section "Corporate Governance".

In 2009, the Audit Committee held a total of two meetings. The attendance record of each of the members is set out below:

	No. of meetings attended/held in 2009	Attendance rate	*Note*
Current Audit Committee Members			
Mr. Lam Ka Wai, Graham *(Chairman)*	N/A	N/A	1
Mr. Lam Kwok Hing, Wilfred	N/A	N/A	2
Mr. Tse On Kin	N/A	N/A	3
Ex-audit Committee Members			
Dr. Tyen Kanhee, Anthony *(Ex-chairman)*	2/2	100%	4
Mr. Sham Sui Leung, Daniel	2/2	100%	5
Mrs. Chu Ho Miu Hing	2/2	100%	6

Notes:

1. Mr. Lam Ka Wai, Graham was appointed as the chairman of the Audit Committee on 4th January 2010.

2. Mr. Lam Kwok Hing, Wilfred was appointed as a member of the Audit Committee on 4th January 2010.

3. Mr. Tse On Kin was appointed as a member of the Audit Committee on 4th January 2010.

4. Dr. Tyen Kanhee, Anthony ceased as the chairman of the Audit Committee on 4th January 2010.

5. Mr. Sham Sui Leung, Daniel ceased as a member of the Audit Committee on 4th January 2010.

6. Mrs. Chu Ho Miu Hing ceased as a member of the Audit Committee on 16th December 2009.

The Audit Committee had 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 the HKSE Code. In the course of doing so, the Committee had met the Company's management and external auditors several times during 2009.

(3) Nomination Committee

The Nomination Committee is made up of the Company's Executive Directors and Independent Non-executive Directors. In 2009, the Nomination Committee was chaired by Mr. Sham Sui Leung, Daniel and the other members included Dr. Tyen Kanhee, Anthony, Mrs. Chu Ho Miu Hing, Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun. Mr. Sham Sui Leung ceased as the chairman of the Nomination Committee after his resignation as an independent non-executive director of the Company on 4th January 2010. Dr. Tyen Kanhee, Anthony, Mrs. Chu Ho Miu Hing, Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun also ceased as the Nomination Committee members after their resignation as Directors of the Company. Currently, the Nomination Committee is chaired by Mr. Tse On Kin and other members include Mr. Lam Cho Ying, Terence Joe, Mr. Chau King Fai, Philip, Mr. Lam Kwok Hing, Wilfred and Mr. Lam Ka Wai, Graham.

The Nomination Committee 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.

In 2009, the Nomination Committee held one meeting for reviewing the structure, size and composition of the Board. The attendance record of each of the members is set out below:

	No. of meetings attended/held in 2009	**Attendance rate**	*Note*
Current Nomination Committee Members			
Mr. Tse On Kin *(Chairman)*	N/A	N/A	1
Mr. Lam Cho Ying, Terence Joe	N/A	N/A	2
Mr. Chau King Fai, Philip	N/A	N/A	3
Mr. Lam Kwok Hing, Wilfred	N/A	N/A	4
Mr. Lam Ka Wai, Graham	N/A	N/A	5
Ex-nomination Committee Members			
Mr. Sham Sui Leung, Daniel *(Ex-chairman)*	1/1	100%	6
Mr. Ho, Lawrence Yau Lung	1/1	100%	7
Mr. Patrick Sun	1/1	100%	8
Dr. Tyen Kanhee, Anthony	1/1	100%	9
Mrs. Chu Ho Miu Hing	1/1	100%	10

Notes:

1. Mr. Tse On Kin was appointed as the chairman of the Nomination Committee on 4th January 2010.

2. Mr. Lam Cho Ying, Terence Joe was appointed as a member of the Nomination Committee on 23rd September 2009.

3. Mr. Chau King Fai, Philip was appointed as a member of the Nomination Committee on 23rd September 2009.

4. Mr. Lam Kwok Hing, Wilfred was appointed as a member of the Nomination Committee on 4th January 2010.

5. Mr. Lam Ka Wai, Graham was appointed as a member of the Nomination Committee on 4th January 2010.

6. Mr. Sham Sui Leung, Daniel ceased as the chairman of the Nomination Committee on 4th January 2010.

7. Mr. Ho, Lawrence Yau Lung ceased as a member of the Nomination Committee on 23rd September 2009.

8. Mr. Patrick Sun ceased as a member of the Nomination Committee on 2nd October 2009.

9. Dr. Tyen Kanhee, Anthony ceased as a member of the Nomination Committee on 4th January 2010.

10. Mrs. Chu Ho Miu Hing ceased as a member of the Nomination Committee on 16th December 2009.

(4) Remuneration Committee

The Remuneration Committee is made up of the Company's Independent Non-executive Directors. In 2009, the Remuneration Committee was chaired by Dr. Tyen Kanhee, Anthony and the other members included Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. Dr. Tyen Kanhee, Anthony ceased as the chairman of the Remuneration Committee after his resignation as independent non-executive director on 4th January 2010. Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing also ceased as the Nomination Committee members after their resignation as independent non-executive directors of the Company on 4th January 2010 and 16th December 2009 respectively. Currently, the Remuneration Committee is chaired by Mr. Lam Kwok Hing, Wilfred and other members include Mr. Tse On Kin and Mr. Lam Ka Wai, Graham.

The Remuneration Committee 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 2009, the Remuneration Committee held one meeting. The attendance record of each of the members is set out below:

	No. of meetings attended/held in 2009	Attendance rate	*Note*
Current Remuneration Committee Members			
Mr. Lam Kwok Hing, Wilfred *(Chairman)*	N/A	N/A	1
Mr. Tse On Kin	N/A	N/A	2
Mr. Lam Ka Wai, Graham	N/A	N/A	3
Ex-remuneration Committee Members			
Dr. Tyen Kanhee, Anthony *(Ex-chairman)*	1/1	100%	4
Mr. Sham Sui Leung, Daniel	1/1	100%	5
Mrs. Chu Ho Miu Hing	1/1	100%	6

Notes:

1. Mr. Lam Kwok Hing, Wilfred was appointed as the chairman of the Remuneration Committee on 4th January 2010.

2. Mr. Tse On Kin was appointed as a member of the Remuneration Committee on 4th January 2010.

3. Mr. Lam Ka Wai, Graham was appointed as a member of the Remuneration Committee on 4th January 2010.

4. Dr. Tyen Kanhee, Anthony ceased as the chairman of the Remuneration Committee on 4th January 2010.

5. Mr. Sham Sui Leung, Daniel ceased as a member of the Remuneration Committee on 4th January 2010.

6. Mrs. Chu Ho Miu Hing ceased as a member of the Remuneration Committee on 16th December 2009.

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 the share option schemes under which the Company may grant share options to the Directors/employees/eligible persons 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 directors/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 Executive Directors and senior management of the Company. Currently, the Finance Committee is chaired by Mr. Lam Cho Ying, Terence Joe and other members include Mr. Chau King Fai, Philip and members of the Company's senior management (non-voting capacity). It conducts review on matters such as the Group's 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 Group's new and existing business.

(6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Executive Directors and senior management of the Company, namely, Mr. Chau King Fai, Philip (Chairman), Mr. Lam Cho Ying, Terence Joe, Ms. So Wai Yee, Betty, Mr. Ng Man Hoi, Paul and Ms. Fung Wai Har, Amanda. 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 AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditor are set out on page 51.

INTERNAL CONTROL

Responsibility

The Board has the responsibility to ensure a sound system of internal control and risk management is established and maintained. A sound system of internal control and risk management is designed (i) to safeguard the shareholders' investments and the Group's assets; and (ii) to maintain proper accounting records for the provision of reliable financial information. It aims to provide reasonable but not absolute assurance against material misstatement, fraud or loss.

To fulfill its responsibility, the Audit Committee is assigned to review and supervise the financial reporting process and internal control procedures of the Group. In order to assure the reliability of the Group's financial reporting, the Audit Committee is also responsible to review and ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

The Executive Committee is also assigned to oversee the implementation of the Group's internal control and risk management and to monitor the Group's business and operations.

Management Supervision

The Executive Committee and management have defined the organizational structure of the Group with clear reporting lines and authorities. Competent personnel are recruited to facilitate the establishment and maintenance of a sound internal control system.

The management endorses policies, procedures, codes and guidelines to mitigate significant inherent risks embedded in the operational activities. The "Code of Business Conduct and Ethics" is formulated and communicated to all staffs with the aim of cultivating high integrity and ethical values within the Group.

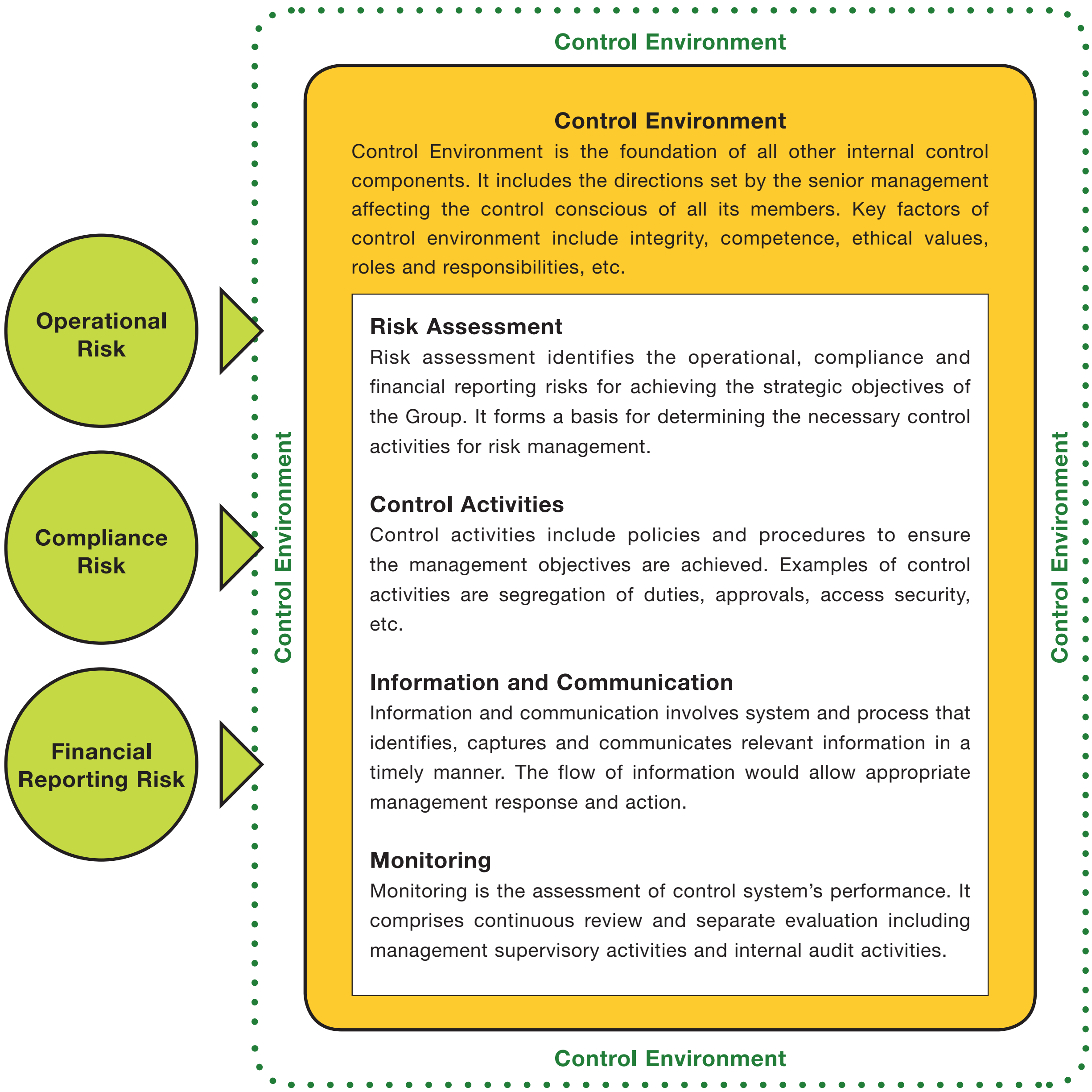
The Executive Committee conducts regular meetings to review the Group's business performance, key operations statistics and internal control issues.

Internal Audit Function

The Group has an internal audit function which reports directly to the Audit Committee. The annual internal audit plan is approved during the Audit Committee meeting. The internal audit independently reviews and assesses the adequacy and effectiveness of the Group's system of internal control; reports all significant internal control and risk management matters to the Audit Committee; and monitors the management resolution status.

Internal Control Approach

The internal audit function has adopted a risk-based audit approach which is consistent with the *Internal Control – Integrated Framework issued* by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as recommended by the Hong Kong Institute of Certified Public Accountants. The risk-based audit approach has five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring, which are illustrated as follows:



Audit Committee Supervision

The Audit Committee conducts regular meetings with the management, the internal audit staff and the external auditors to review the financial statements and auditor's 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 and regulations, which come to their attention.

The Board, through the Audit Committee, had conducted a review of the effectiveness of the Group's system of internal control for the year ended 31st December 2009 covering the material financial reporting operational and compliance controls and risk management function, and considered that the system of internal control is adequate and effective. Also, the Audit Committee had assessed the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's Finance Department and considered that it is adequate.

AUDITOR'S REMUNERATION

For the year ended 31st December 2009, the Group paid HK$1,124,000 to its auditor, Deloitte Touche Tohmatsu, for their provision of the audit and non-audit services to the Group. Out of this amount, HK$1,120,000 was for audit services and the balance of HK$4,000 was for non-audit services such as the special review on the Group's Provident Fund Scheme.

COMMUNICATION WITH SHAREHOLDERS

The Company regards the 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 principles to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Company Secretary of the Company responds 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, 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.

The Board (the "Board") of Directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2009, together with the audited comparative figures for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 25 and 20 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2009 are set out in the consolidated statement of comprehensive income on page 53.

No interim dividend was paid to the shareholders during the year (2008: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st December 2009 (2008: Nil).

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 consolidated 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 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December 2009, the Company had no reserves available for distribution to shareholders (2008: HK$8,284,000) in accordance with the provisions of section 79B of the Companies Ordinance.

DONATIONS

During the year, the Group made no charitable and other donations (2008: HK$194,000).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the past five financial years as extracted from the audited financial statements and reclassified as appropriate, is set out on page 120. This summary does not form part of the audited financial statements.

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 792,000 shares of the Company. The total amount paid to acquire these shares was approximately HK$601,000.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Current Directors

Dr. LEE Jun Sing+ *(Non-executive Chairman)*	(elected as the Chairman on 23rd September 2009)
Mr. LAM Cho Ying, Terence Joe* *(Chief Executive Officer)*	(appointed as an Executive Director and Chief Executive Officer on 23rd September 2009 and 20th October 2009 respectively)
Mr. CHAU King Fai, Philip*	(appointed as an Executive Director on 23rd September 2009)
Mr. CHENG Tze Kit, Larry* *(Chief Investment Officer)*	(appointed as a Non-executive Director on 20th November 2009, re-designated from a Non-executive Director to an Executive Director on 16th December 2009 and appointed as Chief Investment Officer on 1st January 2010)
Ms. SO Wai Yee, Betty* *(Chief Financial Officer)*	(appointed as a Non-executive Director on 20th November 2009, re-designated from a Non-executive Director to an Executive Director and appointed as Chief Financial Officer on 18th January 2010)
Ms. WANG Ying+	(appointed as a Non-executive Director on 4th January 2010)
Mr. LAM Kwok Hing, Wilfred^	(appointed as an Independent Non-executive Director on 4th January 2010)
Mr. TSE On Kin^	(appointed as an Independent Non-executive Director on 4th January 2010)
Mr. LAM Ka Wai, Graham^	(appointed as an Independent Non-executive Director on 4th January 2010)

Ex-Directors

Mr. HO, Lawrence Yau Lung+	(resigned as a Non-executive Director on 23rd September 2009)
Mr. SUN, Patrick*	(resigned as an Executive Director on 2nd October 2009)
Mr. TSUI Che Yin, Frank+	(re-designated from an Executive Director to a Non-executive Director on 23rd September 2009 and resigned on 16th December 2009)
Mrs. CHU HO Miu Hing^	(resigned as an Independent Non-executive Director on 16th December 2009)
Mr. SHAM Sui Leung, Daniel^	(resigned as an Independent Non-executive Director on 4th January 2010)
Dr. TYEN Kanhee, Anthony^	(resigned as an Independent Non-executive Director on 4th January 2010)

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

In accordance with Article 92 of the Articles of Association, any Director so appointed 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. Lam Cho Ying, Terence Joe, Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry, Ms. So Wai Yee, Betty, Ms. Wang Ying, Mr. Lam Kwok Hing, Wilfred, Mr. Tse On Kin and Mr. Lam Ka Wai, Graham shall retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Article 101 of the 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. Lee Jun Sing shall retire at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

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 14 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Cho Ying, Terence Joe has entered a service contract with VC Services Limited, a wholly-owned subsidiary of the Company, on 18th January 2010, which may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to Articles of Association. The monthly salary of Mr. Joe Lam as the Chief Executive Officer and Executive Director of the Company is HK$220,000, plus year end discretionary bonus, which to be determined by the Board or the Remuneration Committee of the Company, payable in February each year.

Mr. Chau King Fai, Philip has renewed a service contract with VC Capital Limited, a subsidiary of the Company, on 18th January 2010, which may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to Articles of Association of the Company. The monthly salary of Mr. Chau as the Executive Director of the Company and the Managing Director of VC Capital Limited is HK$160,000. He may also receive a bonus of 5% of the profit before tax and extraordinary items of VC Capital Limited, subject to the approval of the Board or the Remuneration Committee of the Company, payable in February each year.

Mr. Cheng Tze Kit, Larry has entered a service contract with VC Services Limited, a wholly-owned subsidiary of the Company, on 18th January 2010, which may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to the Articles of Association. The monthly salary of Mr. Cheng as the Chief Investment Officer and Executive Director of the Company is HK$160,000, plus year end discretionary bonus, which to be determined by the Board or the Remuneration Committee of the Company, payable in February each year.

Ms. So Wai Yee, Betty has entered a service contract with VC Services Limited, a wholly-owned subsidiary of the Company, on 18th January 2010, which may be terminated by either party by written notice of not less than six months and subject to rotation, retirement and re-election at the annual general meeting pursuant to the Articles of Association. The monthly salary of Ms. So as the Chief Financial Officer and Executive Director of the Company is HK$110,000, plus year end discretionary bonus, which to be determined by the Board or the Remuneration Committee of the Company, payable in February each year.

Mr. Joe Lam, Mr. Chau, Mr. Cheng and Ms. So's emoluments are determined by arm-length negotiation between the parties with reference to his/her duties and responsibilities with the Company, the Company's emolument policy and the prevailing market conditions.

Save as disclosed above, as at 31st December 2009 and the date of this report, none of the Directors of the Company has entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 31 to the consolidated 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 or at any time during the year.

EMOLUMENT POLICY

The emolument policy for the Group's employees is set up by the Remuneration Committee of the Company. The Group's employees are selected on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee of the Company, having regard to the performance of individuals, the Group's operating results and comparable market statistics.

The Company has adopted the share option schemes and two share award schemes as an incentive to Directors of the Company and eligible person of the Group. Details of the schemes and the movements of the share options and awarded shares granted to the Directors of the Company and the eligible persons of the Group during the year are set out in the sections of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEMES" in this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as for the share option schemes and the share award schemes disclosed in note 27 to the consolidated financial statements and the convertible bonds disclosed in note 28 to the consolidated financial statements, 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 of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 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 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:

Long Positions in the Shares and Underlying Shares of the Company

(a) *Ordinary Shares of HK$0.10 each of the Company*

Name of Director	Capacity	Nature of interest	Number of issued ordinary shares held	Approximate % of issued share capital
Dr. Lee Jun Sing	Held by controlled corporation	Corporate	3,299,702 *(Note 2)*	0.88%
Mr. Chau King Fai, Philip	Beneficial owner	Personal	1,036,000	0.28%

(b) *Share Options granted to the Directors pursuant to the share option scheme adopted by the Company on 29th November 2001, which was terminated on 15th August 2008 (the "GEM Share Option Scheme")*

	Number of share options							
Name of Director	Outstanding at 01.01.2009	Granted during the year	Exercised during the year	Outstanding at 31.12.2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price *HK$*
Dr. Lee Jun Sing	491,057	–	–	491,057	0.13%	09.07.2002	09.01.2003 – 08.07.2012	1.00
Mr. Chau King Fai, Philip	1,100,000	–	–	1,100,000	0.29%	25.03.2004	25.09.2004 – 24.03.2014	0.64

(c) *Share Options granted to the Directors pursuant to the share option scheme adopted by the Company on 8th June 2009 (the "2009 Share Option Scheme")*

	Number of share options							
Name of Director	**Outstanding at 01.01.2009**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31.12.2009**	**Approximate % of issued share capital**	**Date of grant**	**Exercisable period**	**Exercise price** *HK$*
Dr. Lee Jun Sing	–	500,000	–	500,000	0.13%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Lam Cho Ying, Terence Joe	–	3,500,000	–	3,500,000	0.93%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Chau King Fai, Philip	–	2,000,000	–	2,000,000	0.53%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Cheng Tze Kit, Larry	–	300,000	–	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Ms. So Wai Yee, Betty	–	300,000	–	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Mr. Sham Sui Leung, Daniel *(Note 3)*	–	300,000	–	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07
Dr. Tyen Kanhee, Anthony *(Note 3)*	–	300,000	–	300,000	0.08%	26.11.2009	26.11.2009 – 25.11.2012	2.07

(d) *Shares awarded to the Directors 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 01.01.2009	Awarded during the year	Vested during the year	Outstanding at 31.12.2009	Approximate % of issued share capital	Date of award	Vesting date
Mr. Lam Cho Ying, Terence Joe	284,000	–	(284,000)	–	–	18.08.2008	01.04.2009
	284,000	–	–	284,000	0.08%	18.08.2008	01.04.2010
	568,000	–	(284,000)	284,000	0.08%		
Mr. Chau King Fai, Philip	124,000	–	(124,000)	–	–	18.08.2008	01.04.2009
	124,000	–	–	124,000	0.03%	18.08.2008	01.04.2010
	248,000	–	(124,000)	124,000	0.03%		

Notes:

1. As at 31st December 2009, the total number of issued shares of the Company was 374,590,829.

2. Dr. Lee Jun Sing is taken to be interested in 3,299,702 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 0.88% of the issued share capital of the Company.

3. Mr. Sham Sui Leung, Daniel and Dr. Tyen Kanhee, Anthony resigned as an independent non-executive director of the Company on 4th January 2010.

4. The share options and awarded shares mentioned above represent personal interests held by the relevant directors as beneficial owners.

5. During the year, no share options and awarded shares mentioned above were lapsed or cancelled.

6. Details of the GEM Share Option Scheme, 2009 Share Option Scheme and The VC Share Purchase Scheme Trust are set out under the sections of "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEMES" in this report.

Save as disclosed above, as at 31st December 2009, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (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 2009, none of the Directors of the Company 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 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 and Underlying Shares of the Company

(a) Ordinary Shares of HK$0.10 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital	*Note*
Mr. Jiang Jun	Beneficial owner	21,000,000	5.61%	–
VMS Investment Group Limited	Beneficial owner	20,000,000	5.34%	2
Ms. Mak Siu Hang, Viola	Held by controlled corporation	20,000,000	5.34%	2
Mr. Chan Ming Leung, Terrence	Beneficial owner	2,000,000	0.53%	3
Right Source Investment Limited	Beneficial owner	3,300,000	0.88%	4
Gainsay Holdings Limited	Held by controlled corporation	3,300,000	0.88%	4
Mr. Long Ding Yun	Held by controlled corporations	3,300,000	0.88%	4
Highgrade Holding Limited	Beneficial owner	22,000,000	5.87%	5
Mr. Ting Pang Wan, Raymond	Held by controlled corporation	22,000,000	5.87%	5

(b) *Convertible Bonds issued by the Company*

Name	**Capacity**	**Number of underlying shares held**	**Approximate % of issued share capital**	*Note*
Jetgain Limited	Beneficial owner	200,000,000	53.39%	6
China Fortune Group Limited	Held by controlled corporation	200,000,000	53.39%	6
Mr. Suen Siu Kwan	Beneficial owner	140,000,000	37.37%	7
Prefect Max Holdings Limited	Beneficial owner	100,000,000	26.70%	8
Mr. Ni Rong Kun	Held by controlled corporation	100,000,000	26.70%	8
Highgrade Holding Limited	Beneficial owner	20,000,000	5.34%	9
Mr. Ting Pang Wan, Raymond	Held by controlled corporation	20,000,000	5.34%	9
Right Source Investment Limited	Beneficial owner	100,000,000	26.70%	10
Gainsay Holdings Limited	Held by controlled corporation	100,000,000	26.70%	10
Mr. Long Ding Yun	Held by controlled corporations	100,000,000	26.70%	10
Sea Treasure Management Limited	Beneficial owner	40,000,000	10.68%	11
Mr. Chan Ming Leung, Terrence	Held by controlled corporation	40,000,000	10.68%	11

Notes:

1. As at 31st December 2009, the total number of issued shares of the Company was 374,590,829.

2. Ms. Mak Siu Hang, Viola is taken to be interested in 20,000,000 shares of the Company as a result of her being beneficially interested in the entire issued share capital of VMS Investment Group Limited which in turn holds approximately 5.34% of the issued share capital of the Company.

3. Mr. Chan Ming Leung, Terrence also holds 40,000,000 underlying shares of the Company through a controlled corporation, Sea Treasure Management Limited.

4. 3,300,000 shares of the Company held by Right Source Investment Limited ("Right Source") directly as beneficial owner. Right Source is a wholly-owned subsidiary of Gainsay Holdings Limited ("Gainsay"), which is 100% held by Mr. Long Ding Yun. Accordingly, Gainsay and Mr. Long Ding Yun are taken to be interested in the 3,300,000 shares of the Company held by Right Source. Right Source also holds 100,000,000 underlying shares of the Company.

5. Mr. Ting Pang Wan, Raymond is taken to be interested in 22,000,000 shares of the Company as a result of him being beneficially interested in the entire issued share capital of Highgrade Holding Limited ("Highgrade") which in turn holds approximately 5.87% of the issued share capital of the Company. Highgrade also holds 20,000,000 underlying shares of the Company.

6. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Jetgain Limited ("Jetgain") and the Company, Jetgain was agreed to subscribe for HK$100,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$100,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Jetgain upon the completion of the Subscription Agreement is 200,000,000 shares of the Company. Jetgain is a wholly-owned subsidiary of China Fortune Group Limited ("China Fortune"). Accordingly, China Fortune is taken to be interested in the 200,000,000 underlying shares of the Company held by Jetgain.

7. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Mr. Suen Siu Kwan and the Company, Mr. Suen was agreed to subscribe for HK$70,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$70,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Mr. Suen upon the completion of the Subscription Agreement is 140,000,000 shares of the Company.

8. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Prefect Max Holdings Limited ("Prefect Max") and the Company, Prefect Max was agreed to subscribe for HK$50,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$50,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Prefect Max upon the completion of the Subscription Agreement is 100,000,000 shares of the Company. Prefect Max is 100% owned by Mr. Ni Rong Kun. Accordingly, Mr. Ni is taken to be interested in the 100,000,000 underlying shares of the Company held by Prefect Max.

9. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Highgrade and the Company, Highgrade was agreed to subscribe for HK$10,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$10,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Highgrade upon the completion of the Subscription Agreement is 20,000,000 shares of the Company. Highgrade is 100% owned by Mr. Ting Pang Wan, Raymond. Accordingly, Mr. Ting is taken to be interested in the 20,000,000 underlying shares of the Company held by Highgrade. Highgrade also holds 22,000,000 shares of the Company.

10. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Right Source and the Company, Right Source was agreed to subscribe for HK$50,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$50,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Right Source upon the completion of the Subscription Agreement is 100,000,000 shares of the Company. Right Source is a wholly-owned subsidiary of Gainsay, which is 100% held by Mr. Long Ding Yun. Accordingly, Gainsay and Mr. Long Ding Yun are taken to be interested in the 100,000,000 underlying shares of the Company held by Right Source. Right Source also holds 3,300,000 shares of the Company.

11. Pursuant to the Subscription Agreement dated 18th September 2009 entered into between Sea Treasure Management Limited ("Sea Treasure") and the Company, Sea Treasure was agreed to subscribe for HK$20,000,000 in principal amount of the convertible bonds of the Company. The terms and conditions of the said convertible bonds include the potential grant of options by the Company to subscribe up to an additional HK$20,000,000 in principal amount of 1% convertible bonds. As such, the maximum number of shares that maybe converted by Sea Treasure upon the completion of the Subscription Agreement is 40,000,000 shares of the Company. Sea Treasure is 100% owned by Mr. Chan Ming Leung, Terrence. Accordingly, Mr. Chan is taken to be interested in the 40,000,000 underlying shares of the Company held by Sea Treasure.

Save as disclosed herein, as at 31st December 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 required to be kept under Section 336 of SFO.

SHARE OPTION SCHEMES

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.

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 GEM 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 provisions of 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.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8th June 2009, the Company adopted a new share option scheme (the "2009 Share Option Scheme") (the GEM Share Option Scheme and the 2009 Share Option Scheme collectively are referred to as the "Schemes"). A summary of the principal terms of the Schemes and movements of the Share Options granted under these Schemes is set out below:

i. Summary of the Schemes

(a) Purpose of the Schemes

The purpose of the GEM Share Option Scheme and the 2009 Share Option Scheme is to recognize the contribution 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 optimize 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.

(b) Participants of the Schemes

Pursuant to the GEM Share Option Scheme and the 2009 Share Option Scheme, the Board may, at its discretion, to make an offer for the grant of options to the employees or Directors of the Group or such other persons who are eligible for participation in the Schemes to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the GEM Share Option Scheme and the 2009 Share Option Scheme. No further options may be granted under the GEM Share Option Scheme upon its termination on 15th August 2008.

(c) Total number of shares available for issue under the Schemes

The maximum number of shares of the Company which may be issued upon exercise of outstanding options granted and yet to be exercised under the Schemes must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the 2009 Share Option Scheme (i.e. 37,116,977 shares of the Company, which represents approximately 10% of the issued share capital of the Company as at 8th June 2009). The Company may seek approval of the Company's shareholders in a general meeting for refreshing the 10% limit under the 2009 Share Option Scheme save that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the 2009 Share Option Scheme under the limit as "refreshed" may not exceed 10% of the total number of the shares of the Company in issue as at the date of approval of the limit.

(d) Maximum entitlement of each participant

The total number of the shares of the Company issued and to be issued upon exercise of the options granted and to be granted to any participant (including both exercised, cancelled and outstanding options) in any 12 month period up to the date of the grant to such participant shall not exceed 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(e) *Time of exercise of options*

Pursuant to the GEM Share Option Scheme and the 2009 Share Option Scheme, any option may be exercised in accordance with its terms at any time during a period to be determined and notified by the Board to each grantee, save that no option may be exercised more than 10 years from the date on which the option is deemed to have been granted and accepted in accordance with the terms of the Schemes. The Board may provide restrictions on the exercise of an option during the option period.

(f) *Payment on acceptance of option*

Pursuant to the Schemes, HK$1.00 is payable by the grantee to the Company on acceptance of the option within 28 days from the date of grant of the option.

(g) *Basic of determining the subscription price*

The exercise price per share under the GEM Share Option Scheme and the 2009 Share Option Scheme 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 of the Company 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 of the Company 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 of the Company on the date of the offer of an option.

(h) *Remaining life of the Schemes*

The GEM Share Option Scheme has no remaining life as no further options may be granted but the provisions of the GEM Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the GEM Share Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

The 2009 Share Option Scheme will continue to be in full force and effect for a period of 10 years commencing on 8th June 2009 (save that the Company, by ordinary resolutions in general meeting or the Board may at any time terminate the operation of the 2009 Share Option Scheme). After termination, no further options will be granted but the provisions of the 2009 Share Option Scheme shall in all other respects remain in full force and effect and the options which are granted during the life of the 2009 Share Option Scheme may continue to be exercised in accordance with their terms of issue.

ii. Outstanding of Share Options

As at 31st December 2009, options to subscribe for an aggregate of 19,510,139 shares of the Company granted pursuant to the GEM Share Option Scheme and the 2009 Share Option Scheme were outstanding. Details of which were as follows:

(a) GEM Share Option Scheme

The following share options were outstanding under the GEM Share Option Scheme as at 31st December 2009:

	Number of Share Options								
Category of participant	**Outstanding at 01.01.2009**	**Reclassified during the year**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2009**	**Date of grant**	**Share Options duration**	**Exercise price** *HK$*
Directors[1]	982,114	–	–	(491,057)	–	491,057	09.07.2002	09.07.2002 – 08.07.2012	1.00
Directors[1]	–	1,100,000	–	–	–	1,100,000	25.03.2004	25.03.2004 – 24.03.2014	0.64
Directors[2]	2,400,000	–	–	(1,600,000)	(800,000)	–	27.12.2006	27.12.2006 – 26.12.2016	1.292
Sub-total	**3,382,114**	**1,100,000**	**–**	**(2,091,057)**	**(800,000)**	**1,591,057**			
Employees[1]	24,942	24,552	–	–	(24,552)	24,942	09.07.2002	09.07.2002 – 08.07.2012	1.00
Employees[1]	2,430,000	(1,100,000)	–	(1,180,000)	–	150,000	25.03.2004	25.03.2004 – 24.03.2014	0.64
Others[1]	368,692	(24,552)	–	–	–	344,140	09.07.2002	09.07.2002 – 08.07.2012	1.00
Others[1]	850,000	–	–	(150,000)	–	700,000	25.03.2004	25.03.2004 – 24.03.2014	0.64
Sub-total	**3,673,634**	**(1,100,000)**	**–**	**(1,330,000)**	**(24,552)**	**1,219,082**			
Total	**7,055,748**	**–**	**–**	**(3,421,057)**	**(824,552)**	**2,810,139**			

Notes:

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

(b) 2009 Share Option Scheme

The following share options were outstanding under the 2009 Share Option Scheme as at 31st December 2009:

	Number of Share Options								
Category of participant	**Outstanding at 01.01.2009**	**Reclassified during the year**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2009**	**Date of grant**	**Share Options duration**	**Exercise price** *HK$*
Directors[1]	–	(600,000)	7,800,000	–	–	7,200,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
Employees[1]	–	–	9,000,000	–	(100,000)	8,900,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
Others[1]	–	600,000	–	–	–	600,000	26.11.2009	26.11.2009 – 25.11.2012	2.07
Total	–	–	16,800,000	–	(100,000)	16,700,000			

Note:

1. Commencing from the date of grant up to the date falling on 3 years from the date of grant of the options, all shares comprised in the options can be exercised at any time.

Details of the grant of share options to the Directors are disclosed in the sub-headed "Long Positions in the Shares and Underlying Shares of the Company" under the section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

During the year, no share options were cancelled under the Schemes.

In respective of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK$1.81.

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 granted under these schemes is set out below:

(a) Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of adoption, i.e. 31st March 2008. 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 (i) set aside a sum of money or (ii) 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 2009, the following shares of the Company were awarded to directors and 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 of participant	Outstanding at 01.01.2009	Reclassified during the year	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding at 31.12.2009	Date of award	Vesting date
Director	420,000	–	–	(420,000)	–	–	18.08.2008	01.04.2009
Director	420,000	408,000	–	–	(420,000)	408,000	18.08.2008	01.04.2010
Sub-total	**840,000**	**408,000**	**–**	**(420,000)**	**(420,000)**	**408,000**		
Employees	808,000	–	–	(808,000)	–	–	18.08.2008	01.04.2009
Employees	836,000	(408,000)	–	–	–	428,000	18.08.2008	01.04.2010
Employee	–	–	264,131	(264,131)	–	–	25.05.2009	25.05.2009
Employee	–	–	264,131	–	(264,131)	–	25.05.2009	25.05.2010
Employee	–	–	263,738	–	(263,738)	–	25.05.2009	25.05.2011
Sub-total	**1,644,000**	**(408,000)**	**792,000**	**(1,072,131)**	**(527,869)**	**428,000**		
Total	**2,484,000**	**–**	**792,000**	**(1,492,131)**	**(947,869)**	**836,000**		

(b) Share Subscription Scheme

The Share Subscription Scheme has a term of 20 years from the date of adoption, i.e. 31st March 2008. 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 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 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 2009, 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 aggregate revenues attributable to the Group's five largest customers taken together were less than 30% of the Group's total revenues for the year ended 31st December 2009.

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 2009 are disclosed in note 31 to the consolidated 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group occurring after the reporting period are set out in note 32 to the consolidated financial statements.

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 2009 except the code provision A.4.1 in respect of the appointment of non-executive directors for specific terms.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 19 to 31 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 2009.

SUFFICIENCY OF 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 a sufficient public float under the Listing Rules throughout the year ended 31st December 2009.

AUDITOR

The financial statements of the Company for the year ended 31st December 2009 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board of
Value Convergence Holdings Limited
Lam Cho Ying, Terence Joe
Chief Executive Officer & Executive Director

Hong Kong, 29th March 2010

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 53 to 119, which comprise the consolidated and Company's statements of financial positions as at 31st December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2009 and of the Group's loss 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
29th March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**135,734**	129,672
Other income	7	**912**	6,686
Staff costs	8	**(102,226)**	(81,075)
Depreciation of property, plant and equipment		**(2,053)**	(2,670)
Amortisation of trading rights		**(507)**	(507)
Commission expenses		**(6,915)**	(4,890)
Finance costs	10	**(1,457)**	(6,959)
Other operating expenses		**(26,994)**	(29,169)
Share of loss of jointly controlled entities	20	**(13,494)**	(2,124)
Fair value changes on financial liabilities designated at fair value through profit or loss		**(1,184)**	–
(Loss) profit before taxation		**(18,184)**	8,964
Income tax expense	12	**(4,330)**	(1,388)
(Loss) profit for the year attributable to owners of the Company	11	**(22,514)**	7,576
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**–**	(317)
Total comprehensive (loss) income for the year attributable to owners of the Company		**(22,514)**	7,259
(Loss) earnings per share (HK cents)			
Basic	14	**(6.09)**	2.05
Diluted	14	**(6.09)**	2.04

Consolidated Statement of Financial Position

As at 31st December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Goodwill	15	**8,151**	8,151
Trading rights	16	**252**	759
Property, plant and equipment	17	**3,813**	4,423
Deferred tax assets	18	**1,100**	1,100
Statutory deposits		**2,997**	2,988
Other intangible assets	19	**547**	547
Investments in jointly controlled entities	20	**–**	–
Loan to a jointly controlled entity	20	**79,383**	92,877
Rental and utility deposits		**2,096**	–
		98,339	110,845
Current assets			
Accounts receivable	21	**441,326**	263,393
Prepayments, deposits and other receivables	22	**2,956**	3,459
Amount due from a shareholder	22	**–**	112
Amounts due from related companies	22	**–**	230
Amounts due from jointly controlled entities	22	**13,603**	9,262
Pledged bank deposits	22	**40,000**	–
Bank balances and cash	22	**93,912**	301,856
		591,797	578,312
Current liabilities			
Accounts payable	23	**54,618**	19,880
Accrued liabilities and other payables		**12,858**	13,889
Amount due to a shareholder	22	**–**	81
Amounts due to related companies	22	**–**	513
Loans from a shareholder	22	**–**	41,900
Taxation payable		**3,040**	746
		70,516	77,009
Net current assets		**521,281**	501,303
Total assets less current liabilities		**619,620**	612,148

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	24	**37,459**	37,117
Reserves		**570,977**	575,031
Total equity		**608,436**	612,148
Non-current liability			
Financial liabilities designated at fair value through profit or loss	28	**11,184**	–
		619,620	612,148

The consolidated financial statements on pages 53 to 119 were approved and authorised for issue by the Board of Directors on 29th March 2010 and are signed on its behalf by:

Lam Cho Ying, Terence Joe
DIRECTOR

Chau King Fai, Philip
DIRECTOR

Statement of Financial Position

As at 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	25	**10**	10
Amount due from a subsidiary	25	**50,000**	50,000
Loan to a jointly controlled entity	20	**79,383**	95,000
		129,393	145,010
Current assets			
Prepayments, deposits and other receivables	22	**156**	200
Amounts due from subsidiaries	25	**433,368**	523,023
Amounts due from related companies	22	**–**	231
Bank balances	22	**817**	3,834
		434,341	527,288
Current liabilities			
Accrued liabilities and other payables		**2,684**	447
Amount due to a shareholder	22	**–**	81
Amounts due to subsidiaries	25	**29,803**	104,145
Loans from a shareholder	22	**–**	41,900
		32,487	146,573
Net current assets		**401,854**	380,715
Total assets less current liabilities		**531,247**	525,725
Capital and reserves			
Share capital	24	**37,459**	37,117
Reserves	26	**482,604**	488,608
Total equity		**520,063**	525,725
Non-current liability			
Financial liabilities designated at fair value through profit or loss	28	**11,184**	–
		531,247	525,725

Lam Cho Ying, Terence Joe
DIRECTOR

Chau King Fai, Philip
DIRECTOR

	Attributable to equity holders of the parent								
	Share capital *HK$'000*	Shares held for share purchase scheme *HK$'000* *(Note 26)*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note 26)*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Share option reserve *HK$'000*	Awarded shares compensation reserve *HK$'000*	Total *HK$'000*
At 1st January 2008	36,996	–	358,728	123,758	(537)	85,526	1,016	–	605,487
Profit for the year	–	–	–	–	–	7,576	–	–	7,576
Other comprehensive loss for the year	–	–	–	–	(317)	–	–	–	(317)
Total comprehensive (loss) income 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
Loss for the year representing total comprehensive loss for the year	–	–	–	–	–	(22,514)	–	–	(22,514)
Exercise of share options	342	–	3,067	–	–	–	–	–	3,409
Transfer of share option reserve upon exercise of share options	–	–	1,085	–	–	–	(1,085)	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	–	–	(443)	–	(443)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	15,053	1,512	16,565
Share issue expenses	–	–	(3)	–	–	–	–	–	(3)
Shares purchased for share purchase scheme	–	(601)	–	–	–	–	–	–	(601)
Transfer of shares held for share purchase scheme upon vesting of shares	–	1,793	–	–	–	8	–	(1,801)	–
Reversal of awarded shares compensation reserve upon forfeiture of shares	–	–	–	–	–	–	–	(125)	(125)
At 31st December 2009	37,459	(2,029)	363,534	123,758	(854)	70,596	15,053	919	608,436

Consolidated Statement of Cash Flows

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
(Loss) profit before taxation	**(18,184)**	8,964
Adjustments for		
Share of loss of jointly controlled entities	**13,494**	2,124
Depreciation of property, plant and equipment	**2,053**	2,670
Amortisation of trading rights	**507**	507
Recognition of equity-settled share-based payment	**15,997**	3,437
(Recovery) allowance for doubtful receivables, net	**(2,200)**	1,982
Bad debts written off	**148**	310
Interest income from authorised institutions recognised in profit or loss	**(908)**	(3,728)
Finance costs recognised in profit or loss	**1,457**	6,959
Fair value change on financial liabilities designated at fair value through profit or loss	**1,184**	–
	13,548	23,225
Movements in working capital		
(Increase) decrease in accounts receivable	**(175,881)**	348,952
Decrease in prepayments, deposits and other receivables	**827**	31,102
Increase in rental and utility deposits	**(2,096)**	–
Decrease (increase) in amounts due from related companies	**230**	(24)
Increase in amounts due from jointly controlled entities	**(4,341)**	(9,262)
Increase (decrease) in accounts payable	**34,738**	(27,870)
Decrease in accrued liabilities and other payables	**(1,031)**	(16,985)
Decrease in amounts due to related companies	**(513)**	(13,625)
Cash (used in) generated from operations	**(134,519)**	335,513
Interest paid	**(1,457)**	(6,959)
Interest received from authorised institutions	**584**	3,735
Income taxes paid	**(2,036)**	(8,689)
Net cash (used in) generated from operating activities	**(137,428)**	323,600
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,443)**	(4,341)
Investments in jointly controlled entities	**–**	(1)
Loan to a jointly controlled entity	**–**	(95,000)
Increase in pledged bank deposits	**(40,000)**	–
Increase in statutory deposits	**(9)**	–
Net cash used in investing activities	**(41,452)**	(99,342)

	2009 *HK$'000*	2008 *HK$'000*
Cash flows from financing activities		
Increase (decrease) in amount due to shareholder	**31**	(11,694)
Repayment to a shareholder	**(41,900)**	(200,000)
Purchase of shares for Share Purchase Scheme	**(601)**	(4,813)
Proceeds from exercise of share options	**3,409**	778
Proceeds from issue of convertible bonds	**10,000**	–
Share issue expenses	**(3)**	–
Net cash used in financing activities	**(29,064)**	(215,729)
Net (decrease) increase in cash and cash equivalents	**(207,944)**	8,529
Cash and cash equivalents at the beginning of year	**301,856**	293,389
Effect of exchange rate changes on the balance of cash held in foreign currencies	**–**	(62)
Cash and cash equivalents at the end of year, represented by bank balances and cash	**93,912**	301,856

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

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

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

In the current year, the Group and the Company have applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKFRSs (Amendments)	Amendments to HKAS 1 as part of improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendments to HKFRS 8 as part of improvements to HKFRSs 2009

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group and the financial statements of the Company for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

HKAS 1(Revised 2007) Presentation of financial statements

HKAS 1(Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 7) and changes in the basis of measurement of segment profit or loss.

Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group and the Company have not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group and the Company expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group and the Company changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group and the Company has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In addition, the Group and the Company have only applied the following amendments.

Amendments to HKAS 1 Presentation of financial statements

As part of the Improvements to HKFRSs (2009) early adopted by the Group and the Company, HKAS 1 "Presentation of financial statements" has been amended to clarify the classification of liability as current or non-current. The amendment requires the entity to classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. However, terms of liability that could result in its settlement by the issue of the Group's and the Company's equity instruments at the option of the counterparty do not affect its classification. The early adoption of the amendment has had no material impact on the Group's result for the reported periods. As at 31st December 2009, the convertible bonds classified as financial liabilities designated at fair value through profit or loss with carrying amount of approximately HK$11,184,000 have been presented as non-current based on the basis that the Group's and the Company's requirements to transfer cash or other assets only at maturity dates.

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

Amendments to HKFRS 8 Operating Segments

The Group early adopted Amendments to HKFRS 8 as part of improvements to HKFRSs issued in 2009. The amendments clarify that an entity is required to report a measure of total assets for each reportable segment only if such amounts are regularly provided to the chief operating decision maker.

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)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for the amendment to HKAS 1 and HKFRS 8[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

[1] Effective for annual periods beginning on or after 1st July 2009.
[2] Effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st January 2010.
[4] Effective for annual periods beginning on or after 1st February 2010.
[5] Effective for annual periods beginning on or after 1st July 2010.
[6] Effective for annual periods beginning on or after 1st January 2011.
[7] Effective for annual periods beginning on or after 1st January 2013.

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

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 statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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 in full 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.

Goodwill

Goodwill arising from the acquisition of subsidiaries for which the acquisition date is before 1st January 2004, 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 amount net of accumulated amortisation is 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 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.

For the purposes of impairment testing, goodwill 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 combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 Group reports its interests in jointly controlled entities using equity consolidation. Under the equity consolidation, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition 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 loss 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 loss 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 and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

Investments in subsidiaries and jointly controlled entities

In the Company's statement of financial position, 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 course of ordinary activities, net of discounts and sales related taxes.

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

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

- Underwriting commission, sub-underwriting commission, 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 their estimated useful lives.

Gains or losses arising from derecognition of the trading rights are measured as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Deprecation is provided so as to write off the cost of property, plant and equipment less their residual values over their useful lives, 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 disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

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

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables.

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 to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts receivable, deposits and other receivables, amount due from a shareholder, amounts due from subsidiaries, amounts due from related companies, amounts due from jointly controlled entities, loan to a jointly controlled entity, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. 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 affected.

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

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

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's 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. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than the interest expense of financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible bonds

The convertible bonds issued by the Group that contain liability, conversion option, early redemption option and optional bonds. Upon exercise of the conversion option within 12 months from issue, a converting bondholder shall be granted the option by the company to subscribe for an aggregate principal amount of the optional bonds equal to the principal amount being converted. As such, the conversion option will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The whole convertible bonds are designated as financial liabilities at fair value through profit or loss.

Transaction costs that relate to the issue of the convertible bonds are charged to profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including accounts payable, accrued liabilities and other payables, amount due to a shareholder, amounts due to subsidiaries, amounts due to related companies and loans from a 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial guarantee contract

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 at FVTPL 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 contract at the higher of: (i) the amount of the obligation under the contract, as 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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

Operating lease payments are recognised as an expense 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.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 retranslation 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 end of the reporting period. Income and expense items 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 in other comprehensive income and accumulated in equity (the exchange reserve).

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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. 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.

When the share options are forfeited before the vesting date, the amount previously recognised in the share option reserve will be reversed immediately in profit or loss.

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 is expensed on a straight-line basis over the vesting period, with a corresponding increase 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.

When the share awards are forfeited before the vesting date, the amount previously recognised in the awarded shares compensation reserve will be reversed immediately in profit or loss.

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 the end of the reporting period, the Group and the Company reviews 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31st December 2009, a deferred tax asset of HK$1,100,000 (2008: HK$1,100,000) in relation to unused tax losses recognised in the consolidated statement of financial position. 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 statement of comprehensive income for the period in which such a reversal takes place.

As at 31st December 2009, deferred tax asset has not been recognised in relation to the estimated unused tax losses of approximately HK$128,843,000 (2008: HK$120,811,000) and estimated deductible temporary difference of approximately HK$155,000 (2008: HK$627,000). 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 statement of comprehensive income for the period in which such a recognition takes place.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2009, the carrying amount of accounts receivable is approximately HK$441,326,000 (2008: HK$263,393,000). No allowance (2008: HK$1,982,000) is provided during the year. Instead, there is a reversal of provision of approximately HK$2,200,000 during the year.

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 Group's overall strategy remains unchanged.

The capital structure of the Group consists of financial liabilities designated at FVTPL and equity attributable to owners of the Company (comprising issued share capital and reserves).

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 short term bank borrowings, issuance of convertible bonds, 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**669,643**	669,993	**563,571**	672,138
Financial liabilities				
Financial liabilities designated at FVTPL	**11,184**	–	**11,184**	–
Amortised cost	**65,972**	76,263	**32,487**	146,573

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, deposits and other receivables, amounts due from jointly controlled entities, loan to a jointly controlled entity, pledged bank deposits, bank balances and cash, accounts payable, accrued liabilities and other payables, and financial liabilities designated at FVTPL. Details of these financial instruments are disclosed in respective notes. The Company's major financial instruments include deposits and other receivables, amounts due from/to subsidiaries, bank balances, accrued liabilities and other payables and loan to a jointly controlled entity. 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. Almost all 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 exposed to fair value interest rate risk in relation to fixed-rate financial liabilities designated at FVTPL (see Note 28 for details). The change in the interest rate will inversely affect the fair value of the financial liabilities. Management has assessed the fair value interest rate risk and considered the impact to be immaterial. Hence, the management does not prepare the sensitivity analysis.

The Group and the Company are also exposed to cash flow interest rate risk in relation to accounts receivables from cash clients, margin clients and brokers, loan to a jointly controlled entity, amounts due from subsidiaries, pledged bank deposits and loans from a shareholder (see Notes 20, 21, 22 and 25). Bank balances are excluded from the interest rate sensitivity analysis as they are not sensitive to the change in market interest rates.

The Group's and the Company's cash flow interest rate risks are mainly relating to the fluctuation of HIBOR or best lending rate arising from the Group's interest bearing financial instruments.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant throughout the respective year. A 10 basis points (2008: 100 basis points) change represents management's assessment of the reasonably possible change in interest rates.

	2009		2008	
	Change in basis points		Change in basis points	
	+10	**–10**	+100	–100
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
THE GROUP				
Increase (decrease) in profit for the year	**–**	**–**	2,545	(2,545)
Decrease (increase) in loss for the year	**479**	**(479)**	–	–
THE COMPANY				
Increase (decrease) in profit for the year	**–**	**–**	2,331	(2,331)
Decrease (increase) in loss for the year	**108**	**(108)**	–	–

Other price risk

The Group and the Company is exposed to equity price risk from its convertible bonds classified as financial liabilities designated at FVTPL. The fair value of the convertible bonds as disclosed in Note 28 is affected by the market price of the Company's shares. As at 31st December 2009, the management has assessed the equity price risk. Taken into the consideration for the issuer redemption feature for the first three months, the impact of the fluctuation of the market price of the Company's shares will have insignificant impact to the profit or loss.

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 2009 and 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated 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 receivable at the end of the reporting period 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's maximum exposure to credit risk which will cause financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Company as detailed in Note 29. The Company has concentration of credit risk on the amounts due from subsidiaries and loan to a jointly controlled entity. The credit risk on these balances is considered minimal as the major balances are with subsidiaries and a jointly controlled entity with strong liquidity position. The credit risk relating to financial guarantee granted is considered minimal as the relevant subsidiary continues to operate with strong financial results and liquidity position. The Company has no other significant concentration of credit risk.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and Macau. Other than balances with the jointly controlled entities, the Group has no other significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties and clients.

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

Liquidity risk

Internally generated cash flow, bank borrowings, loans from a shareholder and convertible bonds classified as financial liabilities designated at FVTPL 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 2009, the Group has available unutilised banking facilities of HK$150,000,000 (2008: HK$185,000,000) and there is no available banking facility for the Company.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. 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 principal and interest cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

THE GROUP

	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	1-5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount at reporting date HK$'000
At 31st December 2009								
Financial liabilities designated at FVTPL								
(with 1% coupon rate)	–	–	–	–	100	10,100	10,200	11,184
Non-derivative financial liabilities								
Accounts payable	–	–	54,618	–	–	–	54,618	54,618
Accrued liabilities and other payables	–	10,306	–	960	88	–	11,354	11,354
		10,306	54,618	960	188	10,100	76,172	77,156

	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	1-5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount at reporting date 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 shareholder	–	81	–	–	–	–	81	81
Amounts due to related companies	–	513	–	–	–	–	513	513
Loans from a shareholder	2.11	41,900	–	–	–	–	41,900	41,900
		42,494	33,077	40	652	–	76,263	76,263

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	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Total carrying amount at reporting date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2009								
Financial liabilities designated at FVTPL								
(with 1% coupon rate)	**–**	**–**	**–**	**–**	**100**	**10,100**	**10,200**	**11,184**
Non-derivative financial liabilities								
Accrued liabilities and other payables	**–**	**2,384**	**–**	**285**	**15**	**–**	**2,684**	**2,684**
Amounts due to subsidiaries	**–**	**29,803**	**–**	**–**	**–**	**–**	**29,803**	**29,803**
Financial guarantee contract *(note)*	**–**	**130,000**	**–**	**–**	**–**	**–**	**130,000**	**–**
		162,187	**–**	**285**	**115**	**10,100**	**172,687**	**43,671**

	Weighted average effective interest rate	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Total carrying amount at reporting date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2008								
Non-derivative financial liabilities								
Accrued liabilities and other payables	–	–	367	–	80	–	447	447
Amount due to a shareholder	–	81	–	–	–	–	81	81
Amounts due to subsidiaries	–	104,145	–	–	–	–	104,145	104,145
Loans from a shareholder	2.11	41,900	–	–	–	–	41,900	41,900
Financial guarantee contract *(note)*	–	160,000	–	–	–	–	160,000	–
		306,126	367	–	80	–	306,573	146,573

Note: The amount included above for financial guarantee contract is the maximum amount the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

6. FINANCIAL INSTRUMENTS – continued

Fair value

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

- The fair value of financial liabilities designated at FVTPL is determined in accordance with Binomial pricing model based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

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

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities at FVTPL	–	–	11,184	11,184

There were no transfers between Level 2 and 3 in the current year.

For the movement of financial liabilities at FVTPL with level 3 classification, it is set out in Note 28. Change in fair value contributing to the change of credit risk is insignificant.

7. REVENUES AND SEGMENT INFORMATION

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

	2009 *HK$'000*	2008 *HK$'000*
Revenues		
– Brokerage commission from dealing in securities and futures and options contracts	**94,534**	82,625
– Underwriting, sub-underwriting, placing and sub-placing commission	**5,797**	6,954
– Arrangement, management, advisory and other fee income	**7,632**	6,696
– Interest income from clients	**27,771**	33,397
	135,734	129,672
Other income		
Interest income from authorised institutions	**908**	3,728
Management fee income from a jointly controlled entity	**–**	2,943
Sundry income	**4**	15
	912	6,686
Total income	**136,646**	136,358

The Group has adopted HKFRS 8 "Operating segments" with effect from 1st January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The adoption of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group's operating divisions (i.e. broking, margin and other financing, corporate advisory and others). Currently, information reported to the Group's Chief Executive Officer (being the chief operating decision maker) is still focusing on the types of services provided. Meanwhile, he is more specifically based on the performance of each of the strategic business units as well. The Group's operating segments under HKFRS 8 are therefore including brokerage, corporate finance and asset management.

7. REVENUES AND SEGMENT INFORMATION – continued

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

(i) the brokerage segment engages in securities, futures and options broking and dealing, provision of margin financing and commercial loans to corporate customers and placing and underwriting services;

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

(iii) the asset management segment engages in asset management services and proprietary trading.

The following tables represent revenue and results information for these segments for the year ended 31st December 2009 and 2008. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Year ended 31st December 2009

	Brokerage	Corporate finance	Asset management	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues	**130,075**	**5,659**	**–**	**–**	**135,734**
Intersegment sales	**215**	**555**	**–**	**(770)**	**–**
	130,290	**6,214**	**–**	**(770)**	**135,734**
Segment profit (loss)	**18,011**	**(7,857)**	**(4,656)**	**–**	**5,498**
Elimination of intercompany costs					**14,506**
Central administrative costs					**(23,510)**
Share of loss of jointly controlled entities					**(13,494)**
Fair value changes on financial liabilities designated at FVTPL					**(1,184)**
Loss before taxation					**(18,184)**

7. REVENUES AND SEGMENT INFORMATION – continued

Year ended 31st December 2009 – continued

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments (Note)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss:						
Interest income from authorised institutions	**(730)**	**(32)**	**(3)**	**(765)**	**(143)**	**(908)**
Staff costs	**75,884**	**7,031**	**1,690**	**84,605**	**17,621**	**102,226**
Commission expenses	**6,915**	**–**	**–**	**6,915**	**–**	**6,915**
Depreciation of property, plant and equipment	**1,630**	**107**	**37**	**1,774**	**279**	**2,053**
Amortisation of trading rights	**507**	**–**	**–**	**507**	**–**	**507**
Recovery of doubtful receivables	**(2,200)**	**–**	**–**	**(2,200)**	**–**	**(2,200)**
Bad debts written off	**–**	**148**	**–**	**148**	**–**	**148**
Finance costs	**3,556**	**–**	**–**	**3,556**	**(2,099)**	**1,457**
Amounts regularly provided to the Chief Executive Officer but not included in the measure of profit or loss:						
Share of loss of jointly controlled entities	**–**	**–**	**13,494**	**13,494**	**–**	**13,494**
Income tax expense	**4,330**	**–**	**–**	**4,330**	**–**	**4,330**

Year ended 31st December 2008

	Brokerage	Corporate finance	Asset management	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues	122,976	6,696	–	–	129,672
Inter-segment sales	–	700	–	(700)	–
	122,976	7,396	–	(700)	129,672
Segment profit (loss)	17,083	(4,546)	(4,935)	–	7,602
Elimination of intercompany costs					29,275
Central administrative costs					(25,789)
Share of loss of jointly controlled entities					(2,124)
Profit before taxation					8,964

7. REVENUES AND SEGMENT INFORMATION – continued

Year ended 31st December 2008 – continued

Other segment information

	Brokerage	Corporate finance	Asset management	Segment total	Adjustments (Note)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss:						
Interest income from authorised institutions	(3,026)	(99)	(216)	(3,341)	(387)	(3,728)
Staff costs	59,235	5,838	2,942	68,015	13,060	81,075
Commission expenses	4,862	28	–	4,890	–	4,890
Depreciation of property, plant and equipment	1,495	506	219	2,220	450	2,670
Amortisation of trading rights	507	–	–	507	–	507
Allowance for doubtful receivables	1,982	–	–	1,982	–	1,982
Bad debts written off	–	310	–	310	–	310
Finance costs	12,293	–	–	12,293	(5,334)	6,959
Amounts regularly provided to the Chief Executive Officer but not included in the measure of profit or loss:						
Share of loss of jointly controlled entities	–	–	2,124	2,124	–	2,124
Income tax expense	1,810	–	(422)	1,388	–	1,388

Note: Adjustments represent the intercompany administrative costs and finance costs. They are excluded from the measure of segment profit or loss.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit or loss represents the profit earned by/loss from each segment before the elimination of intercompany costs, share of loss of jointly controlled entities and fair value changes on financial liabilities designated at FVTPL. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of performance.

Inter-segment sales are charged at prevailing market rate.

In 2009 and 2008, no single customer amounts to 10% or more of the Group's revenue. The Group's operations are located in Hong Kong (country of domicile) and PRC. The Group's revenue from external customers is derived in Hong Kong for 2009 and 2008. Almost all of its non-current assets, excluding deferred tax assets, investments in jointly controlled entities and loan to a jointly controlled entity, are attributed to the operations in Hong Kong.

Segment assets and liabilities are not presented as they are not regularly provided to the Chief Executive Officer.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	*HK$'000*
Staff commission	**53,453**	43,017
Wages and salaries	**29,675**	31,650
Staff welfare	**1,224**	2,079
Recruitment costs	**105**	406
Reversal of long service payment/annual leave benefits	**(400)**	(2,657)
Retirement benefits scheme contributions	**1,123**	1,097
Forfeiture of retirement benefits scheme contributions	**–**	(15)
Recognition of equity-settled share-based payment	**16,565**	3,437
Forfeiture of equity-settled share-based payment	**(569)**	–
Discretionary and performance related incentive payments	**1,050**	2,061
	102,226	81,075

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.

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The contribution amount is capped at HK$1,000 per employee per month.

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 HK$'000	Sham Sui Leung, Daniel HK$'000	Dr. Tyen Kanhee, Anthony HK$'000	Sun, Patrick HK$'000	Chu, Ho Miu Hing HK$'000	Dr. Lee Jun Sing HK$'000	Tsui Che Yin, Frank HK$'000	Lam Cho Ying, Terence Joe HK$'000	Chau King Fai, Philip HK$'000	Cheng Tze Kit, Larry HK$'000	So Wai Yee, Betty HK$'000	Total HK$'000
2009												
Fees	–	195	195	–	195	–	–	–	–	–	–	585
Other emoluments												
Salaries and other benefits	–	–	–	2,080	–	–	–	481	413	–	–	2,974
Retirement benefits scheme contribution	–	–	–	10	–	–	–	4	4	–	–	18
Recognition of equity-settled share-based payment	–	270	270	217	270	451	270	3,217	1,830	271	271	7,337
Forfeiture of equity-settled share-based payment	–	–	–	(569)	–	–	–	–	–	–	–	(569)
Total emoluments	–	465	465	1,738	465	451	270	3,702	2,247	271	271	10,345

	Ho, Lawrence Yau Lung HK$'000	Sham Sui Leung, Daniel HK$'000	Dr. Tyen Kanhee, Anthony HK$'000	Attorney Patajo-Kapunan, Lorna HK$'000	Sun, Patrick HK$'000	Chu, Ho Miu Hing HK$'000	Dr. Lee Jun Sing HK$'000	Tsui Che Yin, Frank HK$'000	Total HK$'000
2008									
Fees	–	195	195	24	–	191	–	–	605
Other emoluments									
Salaries and other benefits	198	–	–	–	2,832	–	–	–	3,030
Retirement benefits scheme contributions	4	–	–	–	12	–	–	–	16
Recognition of equity-settled share-based payment	–	–	–	–	1,509	–	–	–	1,509
Discretionary and performance related incentive payments *(Note)*	–	–	–	–	487	–	–	–	487
Total emoluments	202	195	195	24	4,840	191	–	–	5,647

Note: The performance related incentive payment is determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

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

(a) Directors' emoluments – continued

During the year ended 31st December 2009, a total number of 7,800,000 (2008: Nil) options were granted to the Directors of the Company in respect of their services provided to the Group, further details of which are set out in Note 27.

During the year ended 31st December 2009, no (2008: 1,260,000) ordinary shares were awarded to the Directors of the Company under VC Share Purchase Scheme in respect of their services provided to the Group, further details of which are set out in Note 27.

On 2nd October 2009, Mr. Patrick Sun resigned as Executive Director. 420,000 share awards and 800,000 options were forfeited, further details of which are set out in Note 27.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2008: one) were directors of the Company whose emoluments are included in the disclosures in Note 9(a) above. Two out of the three directors were appointed as the directors of the Company on 23rd September 2009. The emoluments of these two directors before the appointment of new directorship and the remaining two (2008: four) individuals were as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Salaries and other benefits	**4,066**	7,736
Retirement benefits scheme contributions	**27**	47
Recognition of equity-settled share-based payment	**3,432**	1,466
Discretionary and performance related incentive payments	**–**	398
	7,525	9,647

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

(b) Five highest paid individuals – continued

The emoluments of the above individuals except the two directors who were appointed as directors of the Company during the year fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	2
HK$2,500,001 – HK$3,000,000	**1**	2

During the two years ended 31st December 2009 and 31st December 2008, 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.

10. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**1,378**	1,064
Loans from a shareholder	**79**	5,895
	1,457	6,959

11. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the year have been arrived at after (crediting) charging the following:		
Auditor's remuneration	**1,124**	1,315
Operating leases in respect of land and buildings	**6,968**	5,783
Net exchange gain	**29**	338
(Recovery) allowance for doubtful receivables, net	**(2,200)**	1,982
Bad debt written off	**148**	310

12. INCOME TAX EXPENSE

The amount of tax charged to the consolidated statement of comprehensive income represents:

	2009 *HK$'000*	2008 *HK$'000*
Current tax		
– Hong Kong Profits Tax	**4,335**	1,728
Overprovision in prior year		
– Hong Kong Profits Tax	**(5)**	(340)
	4,330	1,388

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

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 *HK$'000*	2008 *HK$'000*
(Loss) profit before taxation	**(18,184)**	8,964
Calculated at Hong Kong Profits Tax rate of 16.5%	**(3,000)**	1,479
Tax effect of share of loss of jointly controlled entities	**2,227**	350
Tax effect of income not taxable for tax purpose	**(92)**	(809)
Tax effect of expenses not deductible for tax purpose	**3,769**	847
Overprovision in respect of prior year	**(5)**	(340)
Tax effect of deductible temporary difference previously not recognised	**78**	(449)
Utilisation of previously unrecognised tax losses	**(103)**	(1,340)
Tax effect of tax losses not recognised	**1,427**	1,661
Others	**29**	(11)
Tax charge for the year	**4,330**	1,388

13. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year ended 31st December 2009 (2008: Nil).

14. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(22,514)**	7,576
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**369,878**	369,465
Effect of dilutive potential ordinary shares:		
Share options	**–**	1,553
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**369,878**	371,018

The computation of diluted loss per share for 2009 is not presented as the exercise of the Company's convertible bonds and share options are antidilutive.

15. GOODWILL

	HK$'000
Cost	
At 1st January 2008, 1st January 2009 and 31st December 2009	8,151
Accumulated impairment	
At 1st January 2008, 1st January 2009 and 31st December 2009	–
Carrying value	
At 31st December 2008 and 31st December 2009	8,151

Impairment testing on goodwill

For the purposes of impairment testing, the amount is solely relating to a cash-generating unit ("CGU"), VC Capital Limited, a subsidiary of the Company, which is included as corporate finance reportable segment.

During the year ended 31st December 2009, 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. For impairment purpose, the calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 14% (2008: 10%). 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 2008, 1st January 2009 and 31st December 2009	5,066
Amortisation	
At 1st January 2008	3,800
Provided for the year	507
At 31st December 2008	4,307
Provided for the year	507
At 31st December 2009	4,814
Carrying value	
At 31st December 2009	252
At 31st December 2008	759

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 2008	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
Additions	150	458	835	1,443
Written off	–	–	(5,091)	(5,091)
Exchange difference	41	11	–	52
At 31st December 2009	5,456	9,953	7,953	23,362
Depreciation				
At 1st January 2008	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
Charge for the year	328	422	1,303	2,053
Written off	–	–	(5,091)	(5,091)
Exchange difference	41	11	–	52
At 31st December 2009	5,306	8,427	5,816	19,549
Carrying values				
At 31st December 2009	150	1,526	2,137	3,813
At 31st December 2008	328	1,490	2,605	4,423

The above items of 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$^{1}/_{3}$%

18. DEFERRED TAX ASSETS

	Estimated tax losses HK$'000
At 1st January 2008, 31st December 2008 and 31st December 2009	1,100

At 31st December 2009, the Group has deductible temporary differences of approximately HK$155,000 (2008: HK$627,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Besides, the Group and the Company have estimated unused tax losses of approximately HK$135,510,000 and HK$37,404,000 (2008: HK$127,478,000 and HK$37,118,000) respectively to carry forward against future taxable income at 31st December 2009. A deferred tax asset has been recognised in the consolidated financial statements as at 31st December 2009 in respect of estimated unused tax losses of approximately HK$6,667,000 (2008: HK$6,667,000) to the extent that the realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses approximately HK$128,843,000 (2008: HK$120,811,000) for the Group and HK$37,404,000 (2008: HK$37,118,000) 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 deductible temporary differences and 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 2008, 1st January 2009 and 31st December 2009	1,839
Impairment	
At 1st January 2008, 1st January 2009 and 31st December 2009	1,292
Carrying value	
At 31st December 2008 and 31st December 2009	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/THE COMPANY

As at 31st December 2009 and 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	
					2009	2008	**2009**	2008
MVC Macau Property Development Fund Limited[1]	Incorporated	Bermuda	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
Guia Hill (BVI) Holdings No.1 Limited[1]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
Guia Hill (BVI) Holdings No.2 Limited[1]	Incorporated	British Virgin Island	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
Guia Hill (Macau) Investments Limited[1]	Incorporated	Macau	Property investment holding in Macau	Ordinary	**50%**	50%	**50%**	50%
VC Property Asset Management Limited[1]	Incorporated	British Virgin Island	Provision of property investment management in Macau	Ordinary	**50%**	50%	**50%**	50%

[1] Shares held indirectly by the Company

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES – continued

THE GROUP/THE COMPANY – continued

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of investments in jointly controlled entities	**1**	1	**–**	–
Share of post-acquisition losses and other comprehensive income	**(1)**	(1)	**–**	–
	–	–	**–**	–
Loan to a jointly controlled entity	**95,000**	95,000	**95,000**	95,000
Less: Loss allocated in excess of cost of investments	**(15,617)**	(2,123)	**–**	–
Less: Allowance for impairment	**–**	–	**(15,617)**	–
	79,383	92,877	**79,383**	95,000

The loan of HK$95,000,000 is advanced by the Company in 2008 which is unsecured and bears interest at 3-month HIBOR plus 2.6% per annum commencing from the establishment of the relevant funds by the jointly controlled entities.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES – continued

THE GROUP/THE COMPANY – continued

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:

	2009 *HK$'000*	2008 *HK$'000*
Current assets	**154,483**	164,193
Non-current assets	**58**	17
Current liabilities	**75,158**	12,063
Non-current liabilities	**95,000**	154,270
Income	**3**	3
Expenses	**13,497**	2,127

21. ACCOUNTS RECEIVABLE

	2009 *HK$'000*	2008 *HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	**14**	15,594
Cash clients	**108,032**	75,410
Margin clients	**333,250**	171,384
– Futures and options contracts transactions:		
HKFE Clearing Corporation Limited ("HKCC")	**1**	–
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note b)*	**29**	1,005
	441,326	263,393

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.

21. ACCOUNTS RECEIVABLE – continued

The credit quality of accounts receivable are summarised as follows:

	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**431,544**	246,565
Past due but not impaired *(Note c)*	**6,877**	6,117
Impaired *(Note d)*	**11,116**	25,701
	449,537	278,383
Less: Allowance for impairment *(Note d)*	**(8,211)**	(14,990)
	441,326	263,393

The accounts receivable with a carrying amount of approximately HK$431,544,000 (2008: HK$246,565,000) are neither past due nor impaired at 31st December 2009. The management 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 listed securities at fair values of approximately HK$460,049,000 (2008: HK$988,445,000). 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 not impaired 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 listed securities at fair values of approximately HK$993,233,000 (2008: HK$550,223,000), repayable on demand and bear interest at commercial rates. The decision of the interest 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.

Accounts receivable of HK$178,000 (2008: Nil) was due from key management personnel, directors of the Group and close family members of directors, in respect of transactions in securities undertaken for their accounts.

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 based on the trade date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**101,839**	82,219
31 – 90 days	**4,179**	1,121
Over 90 days	**2,029**	7,664
	108,047	91,004

(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 based on the trade date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**–**	233
31 – 90 days	**29**	573
Over 90 days	**–**	199
	29	1,005

(c) Included in *Past due but not impaired* are accounts receivable due from clients which are past due at the end of the reporting period 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$6,848,000 (2008: HK$5,345,000), no impairment loss was provided as the amounts are considered recoverable as at 31st December 2009 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$29,000 (2008: HK$772,000), 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 end of the reporting date, the aging analysis based on the trade date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Past due up to 30 days	**–**	–
Past due 31 – 90 days	**4,208**	1,162
Past due over 90 days	**2,669**	4,955
Total	**6,877**	6,117

(d) The Group has policy for allowance for impairment 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.

Movement in the allowance for impairment is as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**14,990**	13,224
Impairment loss recognised	**1,315**	6,100
Impairment loss reversed	**(3,515)**	(4,118)
Amounts written off as uncollectible	**(4,579)**	(216)
Balance at end of the year	**8,211**	14,990

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 end of 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 Group and the Company)

The amounts are resulted from the normal course of operations. They are non-interest bearing and in the opinion of the Directors, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Amounts due from/to related companies (The Group and the Company)

The amounts are resulted from the normal course of operations. They are non-interest bearing, unsecured, repayable on demand and in the opinion of the Directors, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Amount due from/to a shareholder (The Group and the Company)

The amount is resulted from financing purpose. It is non-interest bearing, unsecured, repayable on demand and in the opinion of the Directors, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Amounts due from jointly controlled entities (The Group)

The amount is resulted from the normal course of operations. It is non-interest bearing, unsecured, repayable on demand and in the opinion of the Directors, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

Pledged bank deposits (The Group)

At 31st December 2009, the Group has placed a bank deposit of HK$40,000,000 (2008: Nil) at variable market interest rate of 1.3% to a bank to secure banking facilities of HK$80,000,000 in short-term money market loan and current account overdraft. There was no drawdown of these facilities at the end of the reporting period.

Bank balances and cash (The Group and the Company)

The amounts comprise cash and short-term bank deposits held by the Group at market interest rates ranging from 0.0001% to 1.4% (2008: 0.0001% to 4.7%) 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 statement of financial position. As at 31st December 2009, the Group maintained segregated account with 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$3,372,000 (2008: HK$1,915,000) and HK$335,140,000 (2008: HK$298,000,000) respectively, which are not otherwise dealt with in the consolidated financial statements.

Loans from a shareholder (The Group and the Company)

The loans from a shareholder are for operation need which have been fully repaid in 2009. The loans are unsecured, bear interest at HIBOR plus 2% per annum (2008: HIBOR plus 2% per annum) and are repayable upon written notice given from the shareholder.

23. ACCOUNTS PAYABLE

	2009	2008
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*		
– Clearing house and brokers	**29,853**	–
– Cash clients *(Note b)*	**21,773**	15,523
– Margin clients	**2,992**	4,357
	54,618	19,880

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 of the Company, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after the trade date.

(b) Included in the amount is accounts payable of HK$648,000 (2008: HK$150,000) due to key management personnel, directors of the Group and close family members of directors, in respect of transactions in securities undertaken for their accounts.

24. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 31st December 2008 and 31st December 2009	10,000,000,000	1,000,000

	Issued and fully paid Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
At 1st January 2008	369,957,451	36,996
Exercise of share options	1,212,321	121
At 31st December 2008	371,169,772	37,117
Exercise of share options	3,421,057	342
At 31st December 2009	374,590,829	37,459

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

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**10**	10

Amount due from a subsidiary (non-current):

The amount is a loan to subsidiary of HK$50 million (2008: HK$50 million) which are unsecured, interest-bearing at prime rate minus 2% per annum. The Company has extended the expiry date of the loan to 5th March 2015 and does not expect to recover the amount within 12 months from the reporting date.

Amounts due from subsidiaries (current):

Included in the amounts as at 31st December 2008 are loans to subsidiaries of HK$176 million (2009: Nil) which are unsecured and interest-bearing at prime rate minus 2% per annum or HIBOR plus 0.2% to 2% per annum, repayable on demand, while the remaining are interest free. As at 31st December 2009, all the amounts due from subsidiaries are unsecured, interest free and repayable on demand. In the opinion of the Directors, the amounts are expected to be settled within the next 12 months from the end of the reporting period.

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 2009 and 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, 3]	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%
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%

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 Investment Holdings Limited [1]	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
VC Strategic Investments Limited [1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
VC Direct Investment Management Limited [2]	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 VC Capital (Shenzhen) Limited is a wholly foreign owned enterprise.

The above table lists out 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 reporting period.

26. RESERVES

THE COMPANY

	Shares held for share purchase scheme HK$'000 (Note)	Share premium HK$'000	Capital reserve HK$'000 (Note)	Retained earnings/ (accumulated losses) HK$'000	Share option reserve HK$'000	Awarded shares compensation reserve HK$'000	Total HK$'000
At 1st January 2008	–	356,305	123,758	5,561	1,016	–	486,640
Profit for the year representing total comprehensive income for the year	–	–	–	2,687	–	–	2,687
Exercise of share options	–	657	–	–	–	–	657
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	(3,221)	356,962	123,758	8,248	1,528	1,333	488,608
Loss for the year representing total comprehensive loss for the year	–	–	–	(24,464)	–	–	(24,464)
Exercise of share options	–	3,067	–	–	–	–	3,067
Transfer to share option reserve upon exercise of share options	–	1,085	–	–	(1,085)	–	–
Reversal of share option reserve upon forfeiture of share options	–	–	–	–	(443)	–	(443)
Recognition of equity-settled share-based payment	–	–	–	–	15,053	1,512	16,565
Share issue expenses	–	(3)	–	–	–	–	(3)
Shares purchased for share purchase scheme	(601)	–	–	–	–	–	(601)
Transfer of shares held for share purchase scheme upon vesting of shares	1,793	–	–	8	–	(1,801)	–
Reversal of awarded shares compensation reserve upon forfeiture of shares	–	–	–	–	–	(125)	(125)
At 31st December 2009	(2,029)	361,111	123,758	(16,208)	15,053	919	482,604

26. RESERVES – continued

Note:

During the year, VC Share Purchase Scheme Trust acquired 792,000 shares of the Company (2008: 3,712,000 shares) through purchases in the open market. The total amount paid to acquire the shares during the year was approximately HK$601,000 (2008: HK$4,813,000) and has been deducted from shareholders' equity.

During the year, the VC Share Purchase Scheme Trust transferred 1,228,000 and 264,131 shares (2008: 1,228,000 shares) to the awardees upon vesting on 1st April 2009 and 25th May 2009 respectively (2008: 18th August 2008). The total cost of the related vested shares was approximately HK$1,793,000 (2008: HK$1,592,000).

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

27. SHARE OPTIONS AND SHARE AWARDS

Share option schemes

The Company offered the share option schemes under which options are granted to the directors, employees and eligible persons of the Group in recognising their contributions and in retaining employees who will continue to make valuable contribution to the Group.

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.

The GEM Share Option Scheme was conditionally terminated by the Board on 7th August 2008. Upon the listing of share of the Company was transferred from the GEM 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 provisions of 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 issues.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8th June 2009, the Company adopted a new share option scheme (the "2009 Share Option Scheme") (the GEM Share Option Scheme and the 2009 Share Option Scheme collectively are referred to as the "Schemes").

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

As at 31st December 2009, options to subscribe for an aggregate of (1) 860,139, (2) 1,950,000 and (3) 16,700,000 underlying shares of the Company granted on 9th July 2002, 25th March 2004 and 26th November 2009 pursuant to the Schemes at an exercise price of HK$1.00 per share, HK$0.64 per share and HK$2.07 per share respectively were outstanding, which in total represents approximately 5.21% of the shares of the Company in issue as at 31st December 2009. The closing price of the Company's shares immediately before 9th July 2002, 25th March 2004 and 26th November 2009 were HK$0.65, HK$0.64 and HK$2.14 per share respectively. The options granted under the GEM Share Option Scheme have a duration of 10 years from the date of grant, i.e. between 9th July 2002 to 8th July 2012 and between 25th March 2004 to 24th March 2014. The options granted under the 2009 Share Option Scheme have a duration of 3 years from the date of grant, i.e. between 26th November 2009 to 25th November 2012 respectively. According to the Schemes, any options granted shall lapse upon the expiration of 3 months after the relevant grantee ceases to be employee of the Group, Furthermore, the Board has its discretion to amend the terms of the Schemes.

As at 31st December 2008, options to subscribe for an aggregate of (1) 1,375,748, (2) 3,280,000 and (3) 2,400,000 underlying shares granted on 9th July 2002, 25th March 2004 and 27th December 2006 pursuant to the GEM 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% of the shares of the Company in issue as at 31st December 2008.

The vesting period of the options granted on 9th July 2002 and 25th March 2004 are from six months to one year while the vesting period of the options granted on 27th December 2006 is from one to three years. The options granted on 26th November 2009 are vested immediately.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

During the year ended 31st December 2009, options to subscribe for a total of 924,552 underlying shares granted to 3 grantees was lapsed (2008: Nil). Further, certain options to subscribe for a total of 491,057 (2008: 9,821), 1,330,000 (2008: 1,202,500) and 1,600,000 (2008: Nil) at an exercise price of HK$1.0, HK$0.64 and HK$1.292 per share respectively granted to a total of 7 grantees were exercised (2008: 8). Since the date of the grant of the options up to 31st December 2009, none of the options were cancelled. Movements in the number of options outstanding during the year are as follows:

2009

Categories of grantees	Grant date of options	Exercise price per share	Balance as at 1st January 2009	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31st December 2009
Directors of the Company	9th July 2002	HK$1.00	982,114	–	–	(491,057)	–	491,057
Directors of the Company	25th March 2004	HK$0.64	–	1,100,000	–	–	–	1,100,000
Directors of the Company	27th December 2006	HK$1.292	2,400,000	–	–	(1,600,000)	(800,000)	–
Directors of the Company	26th November 2009	HK$2.07	–	(600,000)	7,800,000	–	–	7,200,000
Employees	9th July 2002	HK$1.00	24,942	24,552	–	–	(24,552)	24,942
Employees	25th March 2004	HK$0.64	2,430,000	(1,100,000)	–	(1,180,000)	–	150,000
Employees	26th November 2009	HK$2.07	–	–	9,000,000	–	(100,000)	8,900,000
Other eligible persons	9th July 2002	HK$1.00	368,692	(24,552)	–	–	–	344,140
Other eligible persons	25th March 2004	HK$0.64	850,000	–	–	(150,000)	–	700,000
Other eligible persons	26th November 2009	HK$2.07	–	600,000	–	–	–	600,000
			7,055,748	–	16,800,000	(3,421,057)	(924,552)	19,510,139

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

In respect of the options exercised during the year, the weighted average share price when the options being exercised is HK$1.81 (2008: HK$1.46).

27. SHARE OPTIONS AND SHARE AWARDS – continued

Share option schemes – continued

During the year ended 31st December 2009, options to subscribe for a total of 16,800,000 underlying shares were granted on 26th November 2009. The estimated fair value of the options granted on that date was approximately HK$15,053,000. The options granted on 26th November 2009 were fully vested at the grant date.

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

	Share options granted on 26th November 2009
Market price at date of grant	HK$2.07
Exercise price	HK$2.07
Expected volatility	105%
Expected life	1.2 years
Risk-free rate	0.201%

Expected volatility for the options granted on 26th November 2009 was determined by using the historical volatility of the Company's share price over the previous 1.2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restrictions and behavioural considerations. The Group recognised the total expenses of approximately HK$14,610,000 for the year ended 31st December 2009 (2008: HK$512,000) in relation to these options granted by the Company.

Awarded share schemes

On 31st March 2008, the Board approved the establishment of two share incentive award schemes. The Share Purchase Scheme utilizes shares purchased in the market whereas the Share Subscription Scheme will subscribe for new shares. The 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.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes – continued

Share Subscription Scheme

The Share Subscription Scheme is a form of a share incentive award scheme known as the VC Share Subscription Scheme Trust. The Directors of the Company and any subsidiaries 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 as 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 Subscription Scheme Trust as at 31st December 2009.

Share Purchase Scheme

The Share Purchase Scheme is a form of a share incentive award scheme known as the VC Share Purchase Scheme Trust. The Directors and employees (collectively as "selected employees") of the Company and any subsidiaries 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 as the Director or 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 Director or an employee which will apply to the vesting of the shares.

27. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes – continued

Share Purchase Scheme – continued

A total of 792,000 (2008: 3,712,000) shares have been purchased from the open market pursuant to the Share Purchase Scheme during the year ended 31st December 2009. shares were awarded to one selected employee during the year ended 31st December 2009 subject to the terms of the Share Purchase Scheme. 1,492,131 (2008: 1,228,000) awarded shares were vested during the year. During the year ended 31st December 2009, 947,869 awarded shares to 2 selected employees were lapsed (2008: Nil). Movements in the number of awarded shares outstanding during the year are as follows:

2009

			Number of awarded shares						
Categories of awardees	Date of award *(Note 1)*	Fair value per share *(Note 2)*	Balance as at 1st January 2009	Reclassified during the year	Awarded during the year	Vested during the year	Lapsed during the year	Balance as at 31st December 2009	Vesting date
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	408,000	–	–	(420,000)	408,000	1st April 2010
Employees	18th August 2008	1.2965	808,000	–	–	(808,000)	–	–	1st April 2009
Employees	18th August 2008	1.2965	836,000	(408,000)	–	–	–	428,000	1st April 2010
Employees	25th May 2009	0.79	–	–	264,131	(264,131)	–	–	25th May 2009
Employees	25th May 2009	0.79	–	–	264,131	–	(264,131)	–	25th May 2010
Employees	25th May 2009	0.79	–	–	263,738	–	(263,738)	–	25th May 2011
			2,484,000	–	792,000	(1,492,131)	(947,869)	836,000	

2008

			Number of awarded shares						
Categories of awardees	Date of award *(Note 1)*	Fair value per share *(Note 2)*	Balance as at 1st January 2008	Reclassified during the year	Awarded during the year	Vested during the year	Lapsed 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	

27. SHARE OPTIONS AND SHARE AWARDS – continued

Awarded share schemes – continued

Share Purchase Scheme – continued

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 expenses of approximately HK$1,387,000 for the year ended 31st December 2009 (2008: HK$2,925,000) in relation to shares granted under the Share Purchase Scheme by the Company.

28. FINANCIAL LIABILITIES DESIGNATED AT FVTPL

THE GROUP AND THE COMPANY

On 30th November 2009, the Company issued Hong Kong dollar denominated convertible bonds with principal amount of HK$10,000,000 maturing on 30th November 2011. The convertible bonds entitle the bondholders to convert to ordinary shares at a conversion price of HK$1.0 per ordinary share.

Conversion may occur at any time between 1st March 2010 and 29th November 2011. If the convertible bonds have not been converted, they will be redeemed on 30th November 2011 at the principal amount. Interest of 1.0% per annum is payable semi-annually until the notes are converted or redeemed.

Under the terms of the convertible bonds, the Company may redeem in whole or in part of the convertible bonds within three months from the issue date at 100.25% of the principal amount. The bondholders who convert the convertible bonds within one year from the date of issue will be granted options which will entitle them to subscribe for further convertible bonds ("optional bonds") equal to the principal amount of the convertible bonds converted by that converting bondholder. The optional bonds would be issued under the same terms and conditions as the convertible bonds, except that no further options to subscribe for the convertible bonds and no further right of the Company to redeem the optional bonds within the first three months.

The convertible bonds are classified as financial liabilities designated at fair value through profit or loss and are measured at fair value. The difference between the carrying amount at the date of issue of HK$10,000,000 and the amount reported in the consolidated statement of financial position at 31st December 2009 of HK$11,184,000 represents the fair value change.

28. FINANCIAL LIABILITIES DESIGNATED AT FVTPL – continued

THE GROUP AND THE COMPANY – continued

The fair values were calculated at 31st December 2009 using the Binomial pricing model. The parameters were as follows:

Yield to maturity	10.478%
Risk free rate	0.6578%
Spot price of the Company	HK$1.82
Expected volatility	96.41%
Dividend yield	0 %

Yield to maturity was reference to the discount rate by credit rating. Risk free rate was determined with reference to yield of 2-year Hong Kong Government Bond rate as at the valuation date of 31st December 2009. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years.

The movement of the convertible bonds for the year is set out below:

	HK$'000
Balance at date of issue	10,000
Fair value change	1,184
Balance at 31st December 2009	11,184

29. FINANCIAL GUARANTEE

As at 31st December 2009, the Company has given financial guarantee to a bank in respect of banking facilities provided to a subsidiary, VC Brokerage Limited, amounting to HK$130 million (2008: HK$160 million). At 31st December 2009, no banking facilities was utilised by VC Brokerage Limited (2008: Nil). The fair value of the financial guarantee contract is immaterial.

30. COMMITMENTS

(a) Capital commitments

At 31st December 2009, the Group has made commitments contracted but not provided for in respect of purchase of property, plant and equipment for an amount of approximately HK$855,000 (2008: Nil).

At 31st December 2009, the Company did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (2008: Nil).

(b) Commitments under operating leases

At the end of the reporting period, 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:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**7,927**	7,088
In the second to fifth years inclusive	**2,006**	8,355
	9,933	15,443

Operating lease payments represent rentals payable by the Group for certain of its office properties. Rentals are fixed for lease terms of between $1^1/_3$ to 2 years (2008: 2 to $3^1/_3$ years).

At 31st December 2009 and 31st December 2008, the Company does not have any operating lease commitments.

31. RELATED PARTY TRANSACTIONS

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

	2009	2008
	HK$'000	*HK$'000*
Technical, network and other service fees charged by related companies *(Note)*	**1,272**	2,437
Purchases of computer hardware and software from related companies *(Note)*	**–**	10
Brokerage commission income/interest income earned from certain directors of the Group or close family members of the directors	**216**	483
Brokerage commission income/interest income earned from a related company *(Note)*	**–**	12
Interest expenses charged on loans from a shareholder *(Note)*	**79**	5,895
Management fee paid to a related company *(Note)*	**561**	2,476
Management fee income earned from a jointly controlled entity	**–**	2,943
Financial advisory and arrangement fees charged to a shareholder *(Note)*	**–**	280

Note:

The amounts represent the related party transactions with Melco Financial Group Limited ("Melco"), its fellow subsidiaries and its ultimate holding company's associated company up to 24th September 2009, the date on which they ceased to be the Group's related party. Prior to 24th September 2009, Melco was a shareholder of the Company and had significant influence on the Company, which owned approximately 43% of the issued shares of the Company. Melco, its fellow subsidiaries and its ultimate holding company's associated company were therefore considered as related companies of the Group. On 24th September 2009, Melco completed to place all shares beneficially held to independently third parties. Melco, its fellow subsidiaries and its ultimate holding company's associated company ceased to be related companies and all subsequent transactions with the Group are excluded from the above disclosures.

The balances with related parties are set out on the consolidated statement of financial position of the Group and in Notes 21, 22 and 23.

The balances with related parties are set out on the statement of financial position of the Company and in notes 20, 22 and 25.

31. 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:

	2009	2008
	HK$'000	*HK$'000*
Short term benefits	**11,145**	13,776
Share-based payments	**10,860**	2,975
Post employment benefits	**74**	83
	22,079	16,834

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

32. EVENTS OCCURRING AFTER THE REPORTING DATE

On 27th January 2010, VC Financial Group Limited ("VC Financial Group"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("VCC Agreement") with a third-party purchaser to dispose of 9.9% of the issued share capital of VC Capital Limited, a wholly-owned subsidiary of VC Financial Group, at a cash consideration of HK$1,600,000 ("VCC Consideration"). The VCC Consideration should be settled by a deposit of 10% within 7 business days of the date of execution of the VCC Agreement and the balance shall be paid upon completion of the VCC Agreement, which is conditional upon the satisfaction of certain conditions precedent. The transaction has been completed on 10th February 2010.

On 27th January 2010, VC Financial Group, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("VCAM Agreement") with a third-party purchaser to dispose of 9.9% of the issued share capital of VC Asset Management Limited, a wholly-owned subsidiary of VC Financial Group, at a cash consideration of HK$600,000 ("VCAM Consideration"). The VCAM Consideration should be settled by a deposit of 10% within 7 business days of the date of execution of the VCAM Agreement and the balance shall be paid upon completion of the VCAM Agreement, which is conditional upon the satisfaction of certain conditions precedent. The transaction has been completed on 10th February 2010.

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

	Year ended 31st December 2009	Year ended 31st December 2008	Year ended 31st December 2007	Year ended 31st December 2006	Year ended 31st December 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Consolidated Results					
Revenues	**135,734**	129,672	323,747	182,587	115,986
Other income	**912**	6,686	3,795	2,236	1,560
Net gain on trading investments	**–**	–	2,051	11,283	651
Staff costs	**(102,226)**	(81,075)	(169,693)	(88,473)	(58,869)
Depreciation of property, plant and equipment	**(2,053)**	(2,670)	(1,625)	(1,440)	(2,627)
Amortisation of trading rights	**(507)**	(507)	(507)	(506)	(507)
Commission expenses	**(6,915)**	(4,890)	(19,452)	(10,150)	(6,832)
Finance costs	**(1,457)**	(6,959)	(43,275)	(35,094)	(14,595)
Other operating expenses	**(26,994)**	(29,169)	(32,933)	(32,526)	(25,899)
Goodwill impairment	**–**	–	–	(1,471)	(5,135)
Impairment of available-for-sale investments	**–**	–	–	–	(120)
Share of loss of jointly controlled entities	**(13,494)**	(2,124)	–	–	–
Fair value changes on financial liabilities designated at FVTPL	**(1,184)**	–	–	–	–
(Loss) profit before taxation	**(18,184)**	8,964	62,108	26,446	3,613
Income tax expenses	**(4,330)**	(1,388)	(11,750)	(114)	1,495
(Loss)/profit for the year attributable to owners of the Company	**(22,514)**	7,576	50,358	26,332	5,108
(Loss) earnings per share					
Basic (HK cents)	**(6.09)**	2.05	16.97	10.45	2.08
Diluted (HK cents)	**(6.09)**	2.04	16.59	10.22	2.05
Consolidated Assets and Liabilities					
Total assets	**690,136**	689,157	959,863	695,227	462,449
Total liabilities	**(81,700)**	(77,009)	(354,376)	(501,674)	(298,484)
	608,436	612,148	605,487	193,553	163,965
Equity attributable to owners of the Company	**608,436**	612,148	605,487	193,553	163,965
Non-controlling interests	**–**	–	–	–	–
	608,436	612,148	605,487	193,553	163,965