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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 821)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2009

The board of directors (the “**Board**”) submits the consolidated results of Value Convergence Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31st December 2009. The Group’s financial information for the year ended 31st December 2009 in this announcement was prepared based on the consolidated financial statements which have been reviewed by the auditor. The Group has agreed with the auditor as to the contents of this results announcement.

FINANCIAL HIGHLIGHTS

The Group’s consolidated revenue in 2009 amounted to 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 share options granted in 2009 amounting to HK\$15 million; (2) the loss of 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 in 2009 amounting to HK\$1.2 million; and (4) the relevant legal and professional fees incurred for the convertible bonds issue amounting to HK\$2.2 million. Excluding these major non-cash and/or non-recurring nature items, the Group generated a profit of HK\$9.4 million for the year ended 31st December 2009.

CHAIRMAN'S STATEMENT

2009 is a year full of changes and challenges for the 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, the 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 is 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"), have 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 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

MANAGEMENT DISCUSSION AND ANALYSIS

Value Convergence Holdings Limited 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 has 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 Bond. Approval for the issuance of the First Conversion Bond 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 have entered into extension agreement to, amongst other matters, extend the completion dates under their respective Subscription Agreement to 31st December 2009. The completion date has 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 has been repudiated by the Company as the relevant subscribers have 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 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 exists and the confidence of Hong Kong investors has 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 increases 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 has 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 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 4 trillion Yuan 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 markets rebound in the futures.

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 4 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)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
(Loss) profit before taxation	(18,184)	8,964
Income tax expense	(4,330)	(1,388)
	<hr/>	<hr/>
(Loss) profit for the year	(22,514)	7,576
	<hr/>	<hr/>

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. 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 has 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 has 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 has issued the convertible bonds in principal amounting to HK\$10 million (the “**Convertible Bonds**”) on 30th November 2009, which are classified as financial liabilities designated at fair value through profit or loss and are measured at fair value. As at 31st December 2009, the carrying amount of the Convertible Bonds is 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 has 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 are 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 have 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 its former shareholder (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 are 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 and cash are 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.

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 short-term bank borrowings and loans from a former shareholder) over shareholders' funds, was zero (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 People's Republic of China ("**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. 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 has 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 has 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 has been completed on 10th February 2010.

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	4	135,734	129,672
Other income	4	912	6,686
Staff costs	5	(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		(1,457)	(6,959)
Other operating expenses		(26,994)	(29,169)
Share of loss of jointly controlled entities	9	(13,494)	(2,124)
Fair value changes on financial liabilities designated at fair value through profit or loss	12	(1,184)	–
		<hr/>	<hr/>
(Loss) profit before taxation		(18,184)	8,964
Income tax expense	6	(4,330)	(1,388)
		<hr/>	<hr/>
(Loss) profit for the year attributable to owners of the Company		(22,514)	7,576
		<hr/>	<hr/>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		–	(317)
		<hr/>	<hr/>
Total comprehensive income for the year attributable to owners of the Company		(22,514)	7,259
		<hr/>	<hr/>
(Loss) earnings per share (HK cents)			
Basic	8	(6.09)	2.05
		<hr/>	<hr/>
Diluted	8	(6.09)	2.04
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Goodwill		8,151	8,151
Trading rights		252	759
Property, plant and equipment		3,813	4,423
Deferred tax assets		1,100	1,100
Statutory deposits		2,997	2,988
Other intangible assets		547	547
Investments in jointly controlled entities	9	–	–
Loan to a jointly controlled entity	9	79,383	92,877
Rental and utility deposits		2,096	–
		98,339	110,845
Current assets			
Accounts receivable	10	441,326	263,393
Prepayments, deposits and other receivables		2,956	3,459
Amount due from a shareholder		–	112
Amounts due from related companies		–	230
Amounts due from jointly controlled entities		13,603	9,262
Pledged bank deposits		40,000	–
Bank balances and cash		93,912	301,856
		591,797	578,312
Current liabilities			
Accounts payable	11	54,618	19,880
Accrued liabilities and other payables		12,858	13,889
Amount due to a shareholder		–	81
Amounts due to related companies		–	513
Loans from a shareholder		–	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
Capital and reserves			
Share capital		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	12	11,184	–
		619,620	612,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2009

	Attributable to equity holders of the parent								Total HK\$'000
	Share capital HK\$'000	Shares held for share purchase scheme HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Awarded shares compensation reserve 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 income for the year	-	-	-	-	(317)	-	-	-	(317)
Total comprehensive 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 income 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

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 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

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 4) 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 and the Company are required to transfer cash or other assets only at maturing dates.

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.

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 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.

4. 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	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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 <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	130,075	5,659	–	–	135,734
Intersegment sales	215	555	–	(770)	–
	<u>130,290</u>	<u>6,214</u>	<u>–</u>	<u>(770)</u>	<u>135,734</u>
Segment profit (loss)	<u>18,011</u>	<u>(7,857)</u>	<u>(4,656)</u>	<u>–</u>	<u>5,498</u>
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 fair value through profit or loss (FVTPL)					<u>(1,184)</u>
Loss before taxation					<u>(18,184)</u>

Other segment information

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Adjustments (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>3,556</u>	<u>–</u>	<u>–</u>	<u>3,556</u>	<u>(2,099)</u>	<u>1,457</u>
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	<u>4,330</u>	<u>–</u>	<u>–</u>	<u>4,330</u>	<u>–</u>	<u>4,330</u>

Year ended 31st December 2008

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

Other segment information

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Adjustments (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>12,293</u>	<u>–</u>	<u>–</u>	<u>12,293</u>	<u>(5,334)</u>	<u>6,959</u>
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	<u>1,810</u>	<u>–</u>	<u>(422)</u>	<u>1,388</u>	<u>–</u>	<u>1,388</u>

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. 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 amount 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.

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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
	<u>102,226</u>	<u>81,075</u>

6. INCOME TAX EXPENSE

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

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

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	2008
	HK\$'000	HK\$'000
(Loss) profit before tax	(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

7. DIVIDENDS

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

8. (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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(22,514)</u>	<u>7,576</u>
	<i>'000</i>	<i>'000</i>
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	<u>–</u>	<u>1,553</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>369,878</u>	<u>371,018</u>

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 anti-dilutive.

9. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost of investments in jointly controlled entities	1	1	-	-
Share of post-acquisition losses and other comprehensive income	(1)	(1)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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)	-
	<u>79,383</u>	<u>92,877</u>	<u>79,383</u>	<u>95,000</u>

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 establishment of the relevant funds by the jointly controlled entities.

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current assets	<u>154,483</u>	<u>164,193</u>
Non-current assets	<u>58</u>	<u>17</u>
Current liabilities	<u>75,158</u>	<u>12,063</u>
Non-current liabilities	<u>95,000</u>	<u>154,270</u>
Income	<u>3</u>	<u>3</u>
Expenses	<u>13,497</u>	<u>2,127</u>

10. ACCOUNTS RECEIVABLE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in (<i>Note a</i>):		
– 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	1	–
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services (<i>Note b</i>)	29	1,005
	<u>441,326</u>	<u>263,393</u>

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

The credit quality of accounts receivable are summarised as follows:

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

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.

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	101,839	82,219
31 – 90 days	4,179	1,121
Over 90 days	2,029	7,664
	<hr/> 108,047 <hr/>	<hr/> 91,004 <hr/>

- (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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	–	233
31 – 90 days	29	573
Over 90 days	–	199
	<hr/> 29 <hr/>	<hr/> 1,005 <hr/>

- (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.

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Past due up to 30 days	–	–
Past due 31 – 90 days	4,208	1,162
Past due over 90 days	2,669	4,955
	<hr/> 6,877 <hr/>	<hr/> 6,117 <hr/>
Total	<hr/> 6,877 <hr/>	<hr/> 6,117 <hr/>

- (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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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)
	<hr/>	<hr/>
Balance at end of the year	8,211	14,990
	<hr/>	<hr/>

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.

11. ACCOUNTS PAYABLE

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

12. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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.

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
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Balance at 31st December 2009	11,184
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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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the HKSE Code except for 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, 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 and each Director is effectively appointed under an average term of three years. The reasons for the deviation are 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.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2009, including the accounting principles and practices adopted by the Group, in conjunction with the Group's external auditor and internal auditor.

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

Hong Kong, 29th March 2010

As at the date of this announcement, the Board comprises 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.