THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

VC GROUP
滙盈集團

VALUE CONVERGENCE HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Website: http://www.valueconvergence.com
(Stock Code: 8101)

MAJOR TRANSACTION
ACQUISITION OF A CONTROLLING BENEFICIAL INTEREST IN THE MACAU CHINESE BANK LIMITED
AND
REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company

Hantec Capital Limited

A letter from the Board is set out on pages 7 to 20 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 21 of this circular. A letter from Hantec Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 22 to 27 of this circular.

A notice convening an extraordinary general meeting ("EGM") of the Company to be held at 3:00 p.m. on Tuesday, 4 December 2007 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, is set out on pages 137 to 139 of this circular. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's registered office at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days of the date of its publication and on the website of the Company at www.valueconvergence.com.

17 November 2007

CHARACTERISTICS OF GEM

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

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

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

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Agreement"	the sale and purchase agreement dated 28 September 2007 entered into between the Vendor and the Company in relation to the sale and purchase of 60% interest in the issued share capital of Winwise, details of which are set out in the section headed "The Agreement" in the "Letter from the Board" in this circular
"Announcement"	the announcement of the Company dated 3 October 2007 in relation to the Transaction
"AMCM"	the Autoridade Monetária e Cambial de Macau, the Monetary Authority of Macao
"associate(s)"	has the meaning as ascribed to it under the GEM Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong and Macau are open for the transaction of general banking business by members of the public
"Call Option"	a call option to be granted irrevocably and unconditionally by the Vendor to the Company to require the Vendor to sell all of the Option Shares and the Shareholders' Loan to the Company in accordance with the terms of the Option Deed
"Companies Ordinance"	the Companies Ordinance (Cap.32 of the Laws of Hong Kong)
"Company"	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the Shares of which are listed on GEM
"Completion"	completion of the Transaction in accordance with the terms and conditions of the Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration Share(s)"	10,000,000 new Share(s) to be issued and allotted by the Company at the Issue Price to the Vendor (or its nominee(s) as the Vendor may direct) for settling part of the Sale Consideration

"Deposit"	a sum of HK$25 million paid by the Company to a third party escrow agent upon the signing of the Agreement, to be held in escrow pending Completion
"Directors"	directors of the Company
"DPL"	Discovery Planet Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Winwise and is interested in 15% of the issued share capital of MCB
"EGM"	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m. on Tuesday, 4 December 2007 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong to consider and, if thought fit, to approve, among other things, the Transaction, the issue of the Consideration Shares and the New General Mandate
"Existing General Mandate"	the general mandate granted to the Directors to allot, issue and deal with new Shares up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date on which the relevant resolution was passed by the Independent Shareholders at the extraordinary general meeting of the Company on 17 August 2007
"Financial System Act"	the Decree Law 32/93/M which approves the Financial System Act of Macau
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, set up to advise the Independent Shareholders as to the fairness and reasonableness of the New General Mandate
"Independent Financial Adviser" or "Hantec"	Hantec Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New General Mandate

"Independent Shareholders"	Shareholders other than Melco Financial and its associates
"Issue Price"	HK$6.00 per Consideration Share, subject to customary adjustments to accommodate, among other things, sub-division and consolidation of Shares, in accordance with the terms of the Agreement
"Last Trading Day"	25 September 2007, being the last trading day preceding the date of suspension of trading in the Shares pending the release of the Announcement
"Latest Practicable Date"	13 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lippo"	Lippo Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the shareholders' loan in the aggregate principal amount of HK$260,878,217.60 advanced by the Vendor as lender in favour of Winwise and/or any other of its group companies as borrower(s), which is outstanding at Completion
"Loan Assignment Deed"	the deed of assignment to be entered into between the Vendor, the Company or the Nominee and Winwise (and any other group companies of Winwise which is/are debtor(s) in respect of the Sale Loan) upon Completion, pursuant to which the Vendor will assign the Sale Loan to the Company or the Nominee
"Macao" or "Macau"	the Macau Special Administrative Region of the PRC
"MCB"	The Macau Chinese Bank Limited, a company incorporated in Macau and a licensed credit institution in Macau, the entire share capital of which are beneficially owned by Winwise and DPL as at the Latest Practicable Date
"MCB Group"	MCB and its subsidiaries from time to time

"Melco"	Melco International Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and whose wholly-owned subsidiary, Melco Financial, is interested in approximately 43.57% of the issued share capital of the Company as at the Latest Practicable Date
"Melco Financial"	Melco Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Melco, and is the controlling Shareholder
"New General Mandate"	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution by the Independent Shareholders
"Nominee" or "VC Financial Investment"	VC Financial Investment Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company established (subject to Completion) for the sole purpose of holding the Sale Shares (and if applicable, the benefits of the Sale Loan)
"Option Consideration"	the consideration to be paid for the Option Shares and the Shareholders' Loan under the Option Deed, the calculation of which is set out under the paragraph headed "The Option Consideration" in the "Letter from the Board" in this circular
"Option Deed"	the option deed to be entered into by the Vendor and the Company at Completion, a summary of the terms of which is set out in the section headed "The Option Deed" in the "Letter from the Board" in this circular
"Option Notice"	the notice to be served by the Company exercising the Call Option, or the notice to be served by the Vendor exercising the Put Option, as the case may be, under the Option Deed, and "Option Notices" shall mean the Call Option notice and the Put Option notice
"Option Shares"	shares of HK$1.00 each in the capital of Winwise held by the Vendor from time to time
"PRC"	The People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan

"Put Option"	a put option to be granted irrevocably and unconditionally by the Company to the Vendor to require the Company to purchase all or any of the Option Shares and the Shareholders' Loan from the Vendor in accordance with the terms of the Option Deed
"Sale Consideration"	the aggregate of the Sale Loan Consideration and the Sale Shares Consideration, being the aggregate consideration of HK$384 million, to be satisfied as to HK$324 million in cash and as to HK$60 million by way of the issue and allotment of the Consideration Shares
"Sale Loan"	an amount of HK$156,526,930.56, representing 60% of the aggregate amount of the Loan, to be sold by the Vendor to the Company pursuant to the terms and conditions under the Agreement
"Sale Loan Consideration"	the consideration equivalent to the face value of the Sale Loan, payable by the Company to the Vendor for the Sale Loan under the Agreement
"Sale Shares"	60 shares of HK$1.00 each in the issued share capital of Winwise, representing 60% of the issued share capital of Winwise, to be sold by the Vendor to the Company pursuant to the terms and conditions under the Agreement
"Sale Shares Consideration"	the Sale Consideration less the Sale Loan Consideration, payable by the Company to the Vendor for the Sale Shares under the Agreement
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shareholders' Agreement"	the shareholders' agreement in relation to Winwise and its subsidiaries from time to time to be entered into amongst the Company, the Nominee, the Vendor, Winwise and DPL at Completion, a summary of the major terms of which are set out in the section headed "The Shareholders' Agreement" in the "Letter from the Board" in this circular

"Shareholders' Loan"	any and all monies advanced by the Vendor or any of its subsidiaries or holding companies or subsidiaries of any such holding companies to Winwise or a Winwise Group Company or MCB by way of loans or credit from time to time and which, as at the date of completion of the Option Deed, are outstanding, together with any accrued interest
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the entering into of the Agreement, the Shareholders' Agreement, the Option Deed and the Loan Assignment Deed and the transactions contemplated thereunder
"Vendor" or "Hongkong Chinese"	Hongkong Chinese Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and an approximate 51.4% subsidiary of Lippo according to public information as at the Latest Practicable Date
"Winwise"	Winwise Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor prior to Completion, which is beneficially interested in the entire issued share capital of MCB as at the Latest Practicable Date
"Winwise Group"	Winwise and each of its subsidiaries at the relevant time, including DPL and MCB, and each of Winwise and such subsidiaries is referred to herein as a "Winwise Group Company"
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macanese Pataca, the lawful currency of Macau
"%"	per cent.

For illustration purposes only, conversion of HK$ into MOP in this circular is based on the approximate exchange rate of HK$0.97 to MOP1.00. No representation is made that any amount in HK$ or MOP can be converted at such rate or at any other rates.

VALUE CONVERGENCE HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Website: http://www.valueconvergence.com
(Stock Code: 8101)

Executive Directors:
Mr. Ho, Lawrence Yau Lung *(President & Vice Chairman)*
Mr. Patrick Sun *(Chief Executive Officer)*

Non-executive Directors:
Dr. Ho Hung Sun, Stanley *(Chairman)*
Dr. Lee Jun Sing
Attorney Patajo-Kapunan, Lorna

Independent Non-executive Directors:
Dr. Tyen Kanhee, Anthony
Mr. Sham Sui Leung, Daniel
Mrs. Chu Ho Miu Hing

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

17 November 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF A CONTROLLING BENEFICIAL INTEREST IN THE MACAU CHINESE BANK LIMITED
AND
REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

PART I – THE TRANSACTION

INTRODUCTION

By the announcement dated 3 October 2007, the Company entered into the Agreement with Hongkong Chinese in relation to the sale and purchase of the Sales Shares and Sale Loan for an aggregate consideration of HK$384 million, to be satisfied as to HK$324 million in cash and as to HK$60 million by the issue of the Consideration Shares.

The Sale Shares represent 60% interest in the issued share capital of Winwise and the Sale Loan represents 60% of the Shareholders' Loan advanced by the Vendor in favour of Winwise which is outstanding at Completion. As at the Latest Practicable Date, Winwise and its wholly-owned subsidiary, DPL, are the beneficial owners of the entire issued share capital of MCB, a licensed credit institution in Macau. Prior to Completion, Winwise is a wholly-owned subsidiary of the Vendor. Upon Completion, Winwise will be owned as to 60% by the Company (or the Nominee) and as to 40% by the Vendor.

The purpose of this circular is to provide further information in relation to the Transaction and the Company to the Shareholders. The notice of the EGM is also contained in this circular.

THE AGREEMENT

Date: 28 September 2007

Vendor: Hongkong Chinese

Purchaser: the Company

The Vendor is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. According to public information, the principal activity of the Vendor is investment holding. The principal activities of the subsidiaries of the Vendor are investment holding, property investment and development, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the ultimate beneficial owners of the Vendor are third parties independent of the Company and connected persons of the Company, and the Vendor has no other business dealings and transactions with the Group within 12 months prior to the date of the Agreement.

Assets to be acquired

The Sale Shares, being 60 shares of HK$1.00 each in the issued share capital of Winwise, represent 60% of the issued share capital of Winwise.

The Sale Loan of HK$156,526,930.56 represents 60% of the Shareholders' Loan in the aggregate principal amount of HK$260,878,217.60 advanced by the Vendor as lender in favour of Winwise as borrower, which is outstanding at Completion.

Winwise is an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor. It is principally engaged in investment holding. The sole investment of Winwise and its wholly-owned subsidiary, DPL, is the entire issued share capital of MCB, a licensed credit institution in Macau.

The Sale Consideration

The aggregate amount of the Sale Consideration is HK$384 million, comprising the Sale Shares Consideration of HK$227,473,069.44 and the Sale Loan Consideration of HK$156,526,930.56. The Sale Consideration shall be settled by the Company to the Vendor in the following manner:

(i) the sum of HK$25 million, being the Deposit, has been paid by the Company in cash to a third party escrow agent upon the signing of the Agreement, which shall be held in escrow pending Completion;

(ii) the sum of HK$60 million shall be paid by the allotment and issue of the 10,000,000 Consideration Shares by the Company to the Vendor (or to such other person(s) as the Vendor may direct) at Completion; and

(iii) the balance, being HK$299 million together with 50% of the interest accrued on the Deposit at the normal deposit rate up to the Completion Date, shall be paid in cash at Completion.

The Consideration Shares will be issued pursuant to a specific mandate to be sought at the EGM at the Issue Price of HK$6.00 per Consideration Share, which is subject to customary adjustments to accommodate, among other things, sub-division and consolidation of Shares in accordance with the terms of the Agreement. The Consideration Shares represent approximately 2.71% of the existing issued share capital of the Company and approximately 2.64% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The initial Issue Price of HK$6.00 per Consideration Share is determined after arm's length negotiation with reference to the recent closing prices of the Shares and the future prospects of the Company, and represents:

(i) a premium of approximately 33.93% over the closing price of HK$4.480 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 31.64% over the average closing price of HK$4.558 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and

(iii) a premium of approximately 35.90% over the average closing price of HK$4.415 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions to Completion

Completion of the Transaction is subject to and conditional upon satisfaction of, inter alia, the following conditions:

(i) the Company (and/or the Nominee) and Melco or other controlling Shareholder(s) having been approved by the AMCM as a qualifying shareholder (as defined in the Financial System Act) of MCB and Winwise (being, together with DPL, the only beneficial shareholders of MCB) under the Financial System Act, insofar as required by the applicable laws in Macau;

(ii) if required by the applicable laws in Macau, written consent from the AMCM to the change in control of Winwise (being, together with DPL, the only beneficial shareholders of MCB) and any consequent deemed change in control of MCB as contemplated by the Agreement;

(iii) where applicable, shareholders of the Company, Melco, the Vendor and Lippo approving the entering into of the Agreement, the Shareholders' Agreement, the Option Deed, the Loan Assignment Deed and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and/or the GEM Listing Rules;

(iv) all licences required to be held by Winwise and/or MCB and/or any other company of the Winwise Group shall remain valid and effective;

(v) all authorisations, consents and approvals of all governmental or regulatory authorities, agencies or bodies which are necessary or required for the purposes of the transaction contemplated in the Agreement, the Shareholders' Agreement and the Option Deed having been obtained and not having been revoked;

(vi) no Winwise Group Company is subject to any regulatory and/or disciplinary proceedings, enquiries or disputes conducted by any governmental or regulatory body (including but not limited to the AMCM) in respect of non-compliance with any applicable laws or is subject to imposition of specific conditions by any governmental or regulatory body in relation to the conduct of the Winwise Group Company's business which will have a material adverse effect on the business of the Winwise Group and/or MCB; and

(vii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares (either unconditionally or subject to allotment and issue of the Consideration Shares and/or such other condition(s) as may be reasonably acceptable to the Vendor) on GEM.

If the conditions to Completion (other than those including conditions (iv) and (vi) above that may be waived under the Agreement by the Company prior to Completion) are not fulfilled by the parties (or waived by the Company, as the case may be) by 90 days after signing of the Agreement or such other date as may be agreed by the parties in writing, the Agreement shall be terminated and cease to be of any effect, and none of the parties shall have any right against any other party (save for liability for any antecedent breach of obligations under the Agreement). Upon such termination as a result of non-satisfaction of any of the conditions to Completion, the Deposit, together with all interest accrued thereon shall be returned to the Company. Should there be any antecedent breach of certain of its obligations (in relation to making of the application to AMCM for its relevant approval and/or using reasonable endeavours in obtaining the relevant consents and approvals for the transactions as contemplated under the Agreement) under the Agreement by the Company, the Deposit shall be retained by the Vendor as liquidated damages to the Vendor for the Company's default in Completion.

Furthermore, in the event that the Agreement is terminated and/or that the conditions to Completion have not been fulfilled (or as the case may be waived by the Company), the Company shall within 5 Business Days from termination or lapse of the Agreement (as the case may be) pay to the Vendor, for the benefit of MCB, the fee of approximately HK$800,000 paid by MCB to its auditors for the purposes of a special audit undertaken at the request of the Company.

As at the Latest Practicable Date, none of the above conditions to Completion has been fulfilled or waived by the Company.

Completion

Completion shall take place on any Business Day (with the exact date to be notified by the Company to the Vendor with at least 3 Business Days' prior written notice) within a period of 30 days after the date on which satisfaction of the last of all conditions to Completion (save for those which have been or are capable of being waived by the Company) has been notified to the Vendor or the Company, as the case may be. Upon Completion, it is expected that Winwise will become a subsidiary of the Company.

BASIS OF THE SALE CONSIDERATION

The Sale Consideration was determined after arm's length negotiations between the Vendor and the Company with reference to the net asset value of MCB as at 31 December 2006 and the future prospects of the banking business in Macau.

The audited net asset value of MCB was approximately MOP213,189,000 (equivalent to approximately HK$206,793,000) as at 31 December 2006. The audited net profit before and after tax of MCB for the financial year ended 31 December 2006 was approximately MOP9,787,000 (equivalent to approximately HK$9,493,000) and approximately MOP8,664,000 (equivalent to approximately HK$8,404,000) respectively. The audited net profit before and after tax of MCB for the financial year ended 31 December 2005 was approximately MOP7,370,000 (equivalent to approximately HK$7,149,000) and approximately MOP7,030,000 (equivalent to approximately HK$6,819,000) respectively.

The Board (including the independent non-executive Directors) considers that the terms of the Agreement are on normal commercial terms and that the terms and conditions of the Agreement and the Sale Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE SHAREHOLDERS' AGREEMENT

Date: To be entered into upon Completion

Parties (1) Hongkong Chinese
(2) the Company
(3) the Nominee
(4) Winwise
(5) DPL

Purpose of the Shareholders' Agreement

The Shareholders' Agreement will be entered into amongst the Company, the Nominee, the Vendor, Winwise and DPL to regulate the respective rights and obligations of shareholders of Winwise which include, among other things, the right for shareholder of Winwise, so long as it holds not less than 20% of the share capital of Winwise, to appoint and at any time remove or substitute, pro rata to its respective shareholdings in Winwise, directors (or members) to the board of MCB, the supervisory board of MCB, the credit policy and review committee of MCB and the boards of each of Winwise's subsidiaries from time to time. Based on the 60% interest of issued share capital of Winwise to be held by the Company and 40% by the Vendor upon Completion and a total of 5 members in each board or committee, the Company or the Nominee shall be entitled to appoint 3 directors (or members) and the Vendor shall be entitled to appoint 2 directors (or members) to each of the board of MCB, the supervisory board of MCB, the credit policy and review committee of MCB and the boards of each of Winwise's subsidiaries. Furthermore, it is necessary under the Shareholders' Agreement that unanimous consent of all of the members of the credit policy and review committee of MCB be obtained to approve certain types and amount of loans and advances for the benefit of any customer.

The Shareholders' Agreement also provides that certain matters in relation to the MCB Group shall require prior written consent of all the shareholders of Winwise and such matters shall include, among other things, any material changes in the nature or scope of business of Winwise, DPL and MCB other than their respective existing businesses, any variation to the deed of establishment, articles of association or other constitutional documents of the MCB Group, and any declaration or distribution of dividends by the MCB Group of any kind other than normal course of business operation.

Terms of the Shareholders' Agreement

The Shareholders' Agreement shall subsist for as long as there are at least two shareholders of Winwise and each of them holds not less than 10% of the issued share capital of Winwise.

A shareholder of Winwise may serve a termination notice to the other shareholder at any time after the occurrence of an event of default by the other shareholder. Such event of default includes events such as the relevant shareholder or its holding company ceasing or threatening to cease to carry on its business, going into voluntary liquidation (otherwise than for the purpose of reorganisation), entering into composition or arrangement with its creditors, change in control and failure to pay its proportionate share of any further finance that it has committed to provide in writing.

THE OPTION DEED

Date: To be entered into upon Completion

Parties (1) Hongkong Chinese
(2) the Company

Under the Option Deed, the Company shall irrevocably and unconditionally grant to the Vendor the Put Option for the Vendor to dispose of, and the Vendor shall irrevocably and unconditionally grant to the Company the Call Option for the Company to further acquire the remaining interest held by the Vendor in Winwise at the Option Consideration, free from all encumbrance and with all rights attached thereto, in accordance with the terms and conditions under the paragraph headed "Exercise of the Put Option or the Call Option" below.

Exercise of the Put Option or the Call Option

On the occurrence of an event of default under the Shareholders' Agreement, both the Put Option and the Call Option shall become exercisable respectively by the Vendor and the Company at the Option Consideration.

In the absence of an event of default under the Shareholders' Agreement, the Call Option shall not be exercised by the Company and the Put Option may be exercised by the Vendor during the period commencing from the second anniversary to the fifth anniversary of the date of the Option Deed. Such exercise of the Put Option shall take place in multiples of 10% of the then issued share capital of Winwise, together with the corresponding proportion of the Shareholders' Loan.

The Company will comply with the requirements under Rule 19.74(2) and 19.76 of the GEM Listing Rules upon the exercise of the Put Option by the Vendor and Rule 19.75(2) upon the exercise of the Call Option by the Company. The Company will also take steps to ensure that the exercise of the Put Option by the Vendor will not be classified as a very substantial acquisition (as defined in the GEM Listing Rules) of the Company.

Completion

Completion of the Put Option or, as the case may be, the Call Option shall take place on or before the date falling 60 days after the service of the relevant Option Notice or, if applicable, the earlier date of service of the two Option Notices in case both parties have respectively served the relevant Option Notice to the other, or such other date as may be agreed in writing by both parties.

The Option Consideration

The Option Consideration shall be paid and settled in cash by the Company to the Vendor on the date of completion of the Put Option or, as the case may be, the Call Option and calculated as follows:

$$\text{Option Consideration} = \{(A + B) \times C\} + D$$

Where

A = HK$6,400,000, being the aggregate of the price per Winwise share and the attributable Shareholders Loan at which the Company has initially purchased its shareholding in Winwise pursuant to the Agreement at the Completion Date;

B = the aggregate consolidated profits per share of Winwise ("Per Share Consolidated Profits") attributable to shareholders for the year/period (as the case may be) before any transfer or appropriation of reserves by Winwise and/or any of its subsidiaries from time to time, including statutory reserves, as shown in the relevant income statement (but after payment of all dividends declared and which are ultimately received by the Company and the Vendor) for the period commencing from the month immediately preceding the date of the Agreement up to and including the month immediately preceding the date of the Option Notice, rounded to the nearest 2 decimal places. For the avoidance of doubt, if B is a negative figure, it will be treated as zero. The essence of this parameter represents the post-Transaction Per Share Consolidated Profits attributable to each share of Winwise held by the Vendor;

C = the number of all or, as the case may be, any part of the Option Shares, being the subject of the Option Notice;

D = any amount, proportionate to the number of Option Shares being the subject of the relevant Option Notice invested by the Vendor in Winwise or any of its subsidiaries from time to time, by way of equity (to the extent the amount paid by the Vendor for such equity is greater than HK$6,400,000 per share) or advances by way of loans (being Shareholder Loans advanced after the Completion Date) or otherwise, after the Completion Date which has not been previously repaid to the Vendor. This parameter represents repayment of the amount of any advances provided by the Vendor to Winwise after the Completion Date which has not been previously repaid to the Vendor.

For the avoidance of doubt, the Option Consideration shall in no event be less than HK$256,000,000.

The Board (including the independent non-executive Directors) considers that the terms of the Option Deed are on normal commercial terms and that the terms and conditions of the Option Deed and the Option Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGE IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue and allotment of the Consideration Shares to the Vendor upon Completion (assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Completion Date) are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares upon Completion	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Melco Financial	160,930,381	43.57%	160,930,381	42.42%
Mr. Ho, Lawrence Yau Lung *(Note 1)*	4,232,627	1.15%	4,232,627	1.11%
Dr. Ho Hung Sun, Stanley *(Note 2)*	7,384,651	2.00%	7,384,651	1.95%
Dr. Lee Jun Sing *(Note 3)*	6,299,702	1.70%	6,299,702	1.66%
The Vendor (or its nominee(s))	–	–	10,000,000	2.64%
Public Shareholders	190,510,090	51.58%	190,510,090	50.22%
Total	369,357,451	100.00%	379,357,451	100.00%

Notes:

1. Mr. Ho, Lawrence Yau Lung is taken to be interested in 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which, in turn, holds approximately 1.15% of the existing issued share capital of the Company as at the Latest Practicable Date.

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

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

REASONS FOR THE TRANSACTION

The Group is principally engaged in securities, futures and option contracts brokerage mainly on the Stock Exchange and the provision of other related financial services including margin financing, securities underwriting, placing arrangement, assets management and corporate finance advisory services focusing on the markets in Hong Kong, Macau and the PRC.

The Directors believe that the Transaction allows the Group to gain a significant foothold in the financial services sector in Macau, which is experiencing high economic growth. Furthermore, it provides the Group with the opportunity to broaden its revenue base and business coverage and be transformed into a full-fledged financial services group. The Transaction will also give rise to synergistic benefits with the other businesses of the Group, such as the brokerage and investment banking businesses and enables the Group and MCB to capitalize on Melco's strong presence and extensive business network in Macau to achieve immediate growth in earnings. In addition, the acquisition of a 60% beneficial interest in MCB enables the Group to gain control over MCB whilst, at the same time, benefit from the experience of the Vendor, who will retain a 40% beneficial interest in MCB, in the banking industry.

Based on the above, the Board (including the independent non-executive Directors) considers that the terms of the Transaction are on normal commercial terms and that they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION

Upon Completion, Winwise will become a non wholly-owned subsidiary of the Company and its financial results will be consolidated with those of the Group. The Directors expect that the Group's revenue and earnings will be improved by the additional contribution from MCB upon Completion, with synergistic benefits arising between MCB and existing financial businesses of the Group.

Immediately after Completion and based on the audited financial information of Winwise, DPL and MCB as set out in Appendices II, III and IV respectively to this circular, it is estimated that the total assets of the Group will be increased by approximately HK$614 million and the total liabilities of the Group will be increased by approximately HK$594 million. As a net result, the net asset value of the Group is expected to increase by approximately HK$20 million and amount to approximately HK$228 million, representing an increase of approximately 9.4% as compared to the unaudited net asset value of the Group as at 30 June 2007. Further details of the financial effects of the proposed Transaction are illustrated in the unaudited pro forma statement of assets and liabilities of the enlarged Group as set out in Appendix V to this circular.

PART II – REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

At the annual general meeting of the Company held on 19 April 2007 ("AGM"), the general mandate was granted to the Directors to exercise the powers of the Company to issue, allot and deal with up to 50,772,035 new Shares, being 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the AGM. Since the general mandate was substantially utilised in a placing and top-up subscription exercise of the Company as referred to in the announcement of the Company dated 10 July 2007, the Company has refreshed the general mandate once at the extraordinary general meeting of the Company held on 17 August 2007 (the "Previous EGM"). At the Previous EGM, an ordinary resolution was approved by the Independent Shareholders to refresh the general mandate and granted the Directors the Existing General Mandate to exercise the powers of the Company to further issue, allot and deal with up to 61,671,490 new Shares, representing 20% of the aggregate nominal amount of share capital of the Company in issue as at the date on which the relevant ordinary resolution was approved.

During the period between the date on which the Existing General Mandate was granted to the Latest Practicable Date, 61,000,000 new Shares had been issued under the Existing General Mandate, representing approximately 98.91% of the aggregate number of Shares which may be issued, allotted and dealt with under the Existing General Mandate.

As the Existing General Mandate is substantially utilised, the Directors propose to seek approval from the Independent Shareholders at the EGM to refresh the Existing General Mandate and grant to the Directors the New General Mandate to authorise the Directors to further issue, allot and deal with new Shares not exceeding 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the EGM.

Based on the 369,357,451 Shares in issue as at the Latest Practicable Date and if the New General Mandate is approved at the EGM and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the total number of new Shares that may be issued under the New General Mandate is 73,871,490 Shares, representing 20% of the 369,357,451 Shares in issue as at the EGM date. If the New General Mandate is approved by the Independent Shareholders at the EGM, it will be and continue to be in force from the date of the EGM until the earliest of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company's articles of association or any applicable laws of Hong Kong to be held; or (iii) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying such mandate, whichever occurs first.

REASONS FOR THE REFRESHMENT OF GENERAL MANDATE

As discussed above, the Company had issued 61,000,000 new Shares under the Existing General Mandate, representing approximately 98.91% of the aggregate number of Shares which may be issued, allotted and dealt with under the Existing General Mandate. The Directors considered that the New General Mandate will enhance and maintain the Company's financial flexibility for any future fund raising exercises of the Group to satisfy any future funding needs to develop the existing businesses of the Group and banking business to be acquired under the Agreement or provide general working capital to the Group.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds raised *HK$*	Intended use of the proceeds	Actual use of the proceeds as at the Latest Practicable Date
10 July 2007	Placing of 50,680,000 existing Shares and top-up subscription of 50,680,000 new Shares	Approximately HK$109.5 million	As general working capital of the Group or applied to the acquisition of MCB or to other investment opportunities as and when they arise	HK$25 million was utilised for the Deposit and the remaining net proceeds of approximately HK$84.5 million will be utilised to satisfy part of the Sale Consideration
6 September 2007	Placing of 61,000,000 existing Shares and top-up subscription of 61,000,000 new Shares	Approximately HK$247.8 million	Same as above	approximately HK$214.5 million will be utilised to satisfy part of the Sale Consideration and the remaining net proceeds of approximately HK$33.3 million will be utilised for any on-going development of the Group's core businesses

REQUIREMENTS UNDER THE GEM LISTING RULES

The applicable percentage ratios (as defined in the GEM Listing Rules) for the Transaction are in excess of 25% but less than 100%. Pursuant to Chapter 19 of the GEM Listing Rules, the Transaction constitutes a major transaction for the Company which requires the approval by the Shareholders at a general meeting. The EGM will be convened and held at 3:00 p.m. on Tuesday, 4 December 2007 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong to consider and, if thought fit, to approve, among other things, the Transaction including the issue of the Consideration Shares. As none of the Shareholders and/or their associate(s) have any interest in the Transaction (other than by virtue of their interests in the Company), no Shareholder is required to abstain from voting with regard to the Transaction. Melco Financial has undertaken to vote for the relevant resolution(s) regarding the Transaction.

Pursuant to Chapter 17 of the GEM Listing Rules, the resolution to be proposed at the EGM to approve the New General Mandate is subject to Independent Shareholders' approval by way of poll and any controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution. As at the Latest Practicable Date, Melco Financial, being the Company's controlling Shareholder, and its associates which, in aggregate, were interested in 165,163,008 Shares, representing approximately 44.72% of the issued share capital of the Company, will abstain from voting in favour of and have no intention to vote against the resolution to be proposed at the EGM regarding the approval of the New General Mandate.

The Independent Board Committee comprising the three independent non-executive Directors namely, Dr. Tyen Kanhee, Anthony, Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing, has been set up to advise the Independent Shareholders as to whether or not the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Hantec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New General Mandate.

A notice convening the EGM is set out on pages 137 to 139 of this circular and a proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's registered office at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 73 of the Company's articles of association sets out the procedures by which the Shareholders may demand a poll.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

(a) by the Chairman; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) by any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Board considers that the terms of the Transaction are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Transaction.

The Independent Board Committee, having taking into account the advice from the Independent Financial Adviser in relation to the New General Mandate, considers that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the New General Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee as set out on page 21 to this circular containing its recommendations to the Independent Shareholders regarding the New General Mandate; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 22 to 27 to this circular containing its advice to the Independent Board Committee and the Independent Shareholders regarding the New General Mandate; and (iii) the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Value Convergence Holdings Limited
Patrick Sun
Chief Executive Officer

VC GROUP
滙盈集團

VALUE CONVERGENCE HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Website: http://www.valueconvergence.com
(Stock Code: 8101)

28th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

17 November 2007

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We have been appointed as members of the Independent Board Committee to advise you in respect of the New General Mandate, details of which are set out in the "Letter from the Board" in the circular dated 17 November 2007, of which this letter forms part. Terms used in this letter have the same meanings as defined in the said circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Hantec as set out on pages 22 to 27 of this circular, which contains its advice and recommendation to us as to whether or not the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Hantec as stated in its aforementioned letter of advice, we are of the opinion that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the New General Mandate.

Yours faithfully,
For and on behalf of the Independent Board Committee
Dr. Tyen Kanhee, Anthony **Mr. Sham Sui Leung, Daniel** **Mrs. Chu Ho Miu Hing**
Independent Non-executive Directors

The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

17 November 2007

To the Independent Board Committee and the Independent Shareholders of
Value Convergence Holdings Limited

Dear Sirs and Madams,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the New General Mandate to issue Shares, details of which are contained in the letter from the Board contained in the circular (the "**Circular**") of the Company to the Shareholders dated 17 November 2007, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 17.42A of the GEM Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives of the Company and their respective associates shall abstain from voting in favour of the resolution approving the New General Mandate. Melco Financial, being the Company's controlling Shareholder, and its associates shall abstain from voting in favour of the resolution approving the New General Mandate.

The Independent Board Committee comprising three independent non-executive Directors, namely Dr. Tyen Kanhee, Anthony, Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing, has been set up to advise the Independent Shareholders as to whether or not the terms of the New General Mandate are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR ADVICE

In arriving at our opinion, we have relied on the information or referred to in the Circular and the information supplied by the Company. We have assumed that the information provided and representations made to us by the Company are true, accurate and complete at the time they were made and continue to be so as at the date of this letter. We consider that we have been provided sufficient information to reach an informed view, to justify our reliance on the accuracy of the information provided and representations made to us by the Company and to provide a reasonable basis for our opinion. We have no reasons to suspect that any material facts have been omitted or withheld from the information provided nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Circular, including this letter, misleading. We consider that we have performed all necessary steps, including the notes thereto, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have not, however, conducted an independent verification of the information provided by the Company nor have we carried out any independent investigation into the businesses and affairs of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the New General Mandate, we have taken the following principal factors and reasons into consideration:

1. Background and the use of the Existing General Mandate

At the annual general meeting of the Company held on 19 April 2007 ("AGM"), the general mandate was granted to the Directors to exercise the powers of the Company to issue, allot and deal with up to 50,772,035 Shares, being 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the AGM. Since the general mandate was substantially utilized in the placing and top-up subscription exercise of the Company as referred to in the announcement of the Company dated 10 July 2007, the Company refreshed the general mandate once at the last extraordinary general meeting of the Company held on 17 August 2007 (the "Previous EGM"). At the Previous EGM, the Existing General Mandate was granted to the Directors to exercise the powers of the Company to further issue, allot and deal with up to 61,671,490 new Shares, representing 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the Previous EGM at which the relevant ordinary resolution was approved. During the period between the date on which the Existing General Mandate was granted to the Latest Practicable Date, 61,000,000 Shares have been issued under the Existing General Mandate, representing approximately 98.91% of the aggregate number of Shares which may be issued, allotted and dealt with under the Existing General Mandate, as a result of the placing and top-up subscription exercise of the Company as referred to in the announcement of the Company dated 6 September 2007.

As announced by the Company on 6 September 2007, Melco Financial, a wholly-owned subsidiary of Melco and as the vendor, on 6 September 2007 entered into the placing and subscription agreement with the placing agent and the Company. Pursuant to the placing and subscription agreement, Melco Financial agreed to place an aggregate of 61,000,000 Shares to not less than six placees at a placing price of HK$4.20 per Share and Melco Financial conditionally agreed to subscribe for 61,000,000 Shares at a subscription price of HK$4.20 per Share, which is same as the placing price placed by the Melco Financial to the placees. The subscription Shares of 61,000,000 Shares were issued under the Existing General Mandate and the net proceeds from the subscription of approximately HK$247.8 million are utilized as to approximately HK$214.5 million for satisfying part of the Sale Consideration and as to approximately HK$33.3 million for any on-going development of the Group's core businessess as set out in the letter from the Board on page 18 to this Circular. The placing exercise was completed on 11 September 2007 and the subscription exercise was completed on 14 September 2007. As a result, the issuance of 61,000,000 Shares under the aforesaid subscription exercise has substantially utilized the Existing General Mandate and only 671,490 new Shares, representing approximately 1.09% of the aggregate number of Shares which can be issued or allotted under the Existing General Mandate, can further be issued under the Existing General Mandate. The number of issued Shares of the Company was increased from 308,357,451 Shares as at the date of the Previous EGM to 369,357,451 Shares as at the Latest Practicable Date as a result of the completion of the placing and the subscription exercise as mentioned aforesaid.

2. Reasons for the New General Mandate

Given that (i) the Existing General Mandate has been substantially utilized; and (ii) the Directors consider that the New General Mandate will enhance and maintain the Company's financial flexibility for any future fund-raising exercises of the Group to satisfy any future funding needs to develop the existing businesses of the Group and/or for the banking businesses to be acquired under the Agreement and/or to provide general working capital to the Group at any time should that be required, the Directors will seek for the approval of the Independent Shareholders at the EGM on the New General Mandate.

In arriving at our opinion in respect of the fairness and reasonableness of the New General Mandate, we have considered the following factors:

1. Financial flexibility in terms of capital-raising

Pursuant to the Existing General Mandate, 61,671,490 new Shares could be allotted and issued. During the period from the grant of the Existing General Mandate at the Previous EGM to the Latest Practicable Date, the Existing General Mandate has been substantially utilized under the aforesaid subscription exercise and an aggregate of 61,000,000 new Shares were issued under the Existing General Mandate. Taking into account the aforesaid subscription exercise and based on the 369,357,451 Shares in issue as at the Latest Practicable Date, and if the New General Mandate is approved at the EGM and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, up to 73,871,490 new Shares, representing 20%

of the issued share capital of the Company of 369,357,451 Shares as at the date of EGM, could be allotted and/or issued by the Company under the New General Mandate. Despite of the fact that the Group has not had any immediate fund-raising exercises, there is no certainty that existing working capital and the funds raised under the aforesaid subscription exercises will be adequate, or other financing alternatives will be available for acquisition of appropriate investments that may be identified by the Company in the future. As the Existing General Mandate has been substantially utilized and only 671,490 new Shares could be further issued under the Existing General Mandate prior to the next annual general meeting of the Company (if the Existing General Mandate is not refreshed prior to the next annual general meeting), the Group may then be in a disadvantageous position if it is unable to obtain sufficient funds in a timely manner to finance a potential investment or an acquisition by issuance or allotment of new Shares under the Existing General Mandate, we concur with the Directors that the allotment and/or issuance of new Shares under the New General Mandate will potentially increase the amount of capital to be raised and provide more options of financing to the Group when contemplating any potential investments or acquisitions.

2. Shortening the required time for raising capital

The Directors advised that, as the Latest Practicable Date, no immediate funding was required for the operation of the Group's businesses, and no definite investment plans which may require equity financing were outstanding. However, the Directors believe that funding needs or appropriate investment opportunities may arise at any time and such funding needs may be required or investment decisions may have to be made within a short period of time. Consequently, the Directors consider that the New General Mandate will provide the Group with the flexibility of issuing new Shares by way of Share placement to raise capital within a short period of time. The Directors believe that the New General Mandate will maintain the financial flexibility for the Group whenever any equity financing should be required.

Having considered that (i) the Group would not rule out any future chances to develop its businesses or to acquire appropriate investment which may arise at any time where funding needs may be required and such investment decisions may have to be made within short period of time; and (ii) Share placement exercises are dependent, to a large extent, on market conditions which can be volatile and such opportunities may not always arise, we are of the view that the New General Mandate is reasonable as it will provide the Group with the financial flexibility to respond to the market promptly and to allot and issue new Shares to raise capital in a timely manner through equity financing should that be required.

3. Other alternative of financing

Other than raising funds by way of issuing equity capital, the Board indicates that the Company may consider other financing methods such as bank financing and debt financing in order to meet its financing requirements arising from future investment of the Group, depending on the then financial position, capital structure and cost of funding of the Group as well as the then market condition. Yet, these alternatives may be subject to lengthy due diligence and negotiations. As such, the New General Mandate will serve as one of the alternatives for the Company to finance the Group's investments and for working capital needs, and the Board will use the method that serves the best interests of the Group. We therefore consider that the New General Mandate would provide the Group with flexibility to determine the appropriate financing method for future transactions, acquisitions and/or other potential investment opportunities given that (i) the nature of equity financing is non-interest bearing and requires no collateral of securities; and (ii) a broad capital base may enhance the liquidity of the Shares.

4. Potential decrease in shareholding of the Independent Shareholders

For illustration purpose only, we set out below a table depicting the shareholding structure of the Company as at the Latest Practicable Date and upon full utilization of the New General Mandate:

	As at the Latest Practicable Date		Upon the full utilization of the New General Mandate	
	Shares	*%*	*Shares*	*%*
Melco Financial	160,930,381	43.57	160,930,381	36.31
Mr. Ho, Lawrence Yau Lung *(Note 1)*	4,232,627	1.15	4,232,627	0.95
Dr. Ho Hung Sun, Stanley *(Note 2)*	7,384,651	2.00	7,384,651	1.67
Dr. Lee Jun Sing *(Note 3)*	6,299,702	1.70	6,299,702	1.42
Public Shareholders	190,510,090	51.58	190,510,090	42.98
Shares which may be issued under the New General Mandate	–	–	73,871,490	16.67
Total	369,357,451	100.00	443,228,941	100.00

Notes:

1. Mr. Ho, Lawrence Yau Lung is taken to be interested in 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which, in turn, holds approximately 1.15% of the existing issued share capital of the Company as at the Latest Practicable Date.

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

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

Shareholders should be aware that the Existing General Mandate will be revoked upon approval at the date of EGM by the Independent Shareholders on the New General Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company's articles or any applicable laws of Hong Kong to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever occurs first.

Upon full utilization of the New General Mandate, 73,871,490 new Shares can be issued, representing 20% and approximately 16.67% of the issued share capital as at the date of EGM and the enlarged issued share capital of the Company respectively. Assuming no Shares will be issued and/or repurchased during the period between the Latest Practicable Date and the date of EGM, the aggregate shareholding of the existing public Shareholders will decrease from approximately 51.58% as at the date of EGM to approximately 42.98% upon the full utilization of the New General Mandate. The existing public Shareholders will have a potential maximum decrease in shareholding of approximately 8.60% upon the full utilization of the New General Mandate.

Taking into account that (i) the New General Mandate allows the Company to raise capital by allotment and/or issuance of new Shares before the next annual general meeting of the Company; (ii) the New General Mandate provides more flexibility and options of financing to the Group for further development of its existing businesses and for other potential future investments or acquisitions as and when such opportunities arise; and (iii) the shareholding of all the Shareholders will be decreased to the same extent upon any utilization of the New General Mandate, we consider such decrease in shareholding of the Independent Shareholders acceptable.

Based on the reasons discussed above, we concur with the Directors' view that the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of the New General Mandate are fair and reasonable as far as the Independent Shareholders are concerned. Independent Shareholders are, however, advised to note the decrease in shareholding after the utilization of the New General Mandate of their shareholding interests in the Company.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the proposed grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New General Mandate.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Robert Siu
Director

(A) THREE YEARS FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement and the assets and liabilities of the Group for each of the three years ended 31 December 2006. The auditors' reports on the financial statements of the Group for each of the three years ended 31 December 2006 did not contain any qualifications.

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Revenue	182,587	115,986	163,257
Cost of sales of computer hardware and software	–	–	(23,810)
Other income	2,236	1,560	3,207
Net gain on trading investments	11,283	651	–
Net losses of other investments	–	–	(2,113)
Staff costs	(88,473)	(58,869)	(41,027)
Depreciation on property, plant and equipment	(1,440)	(2,627)	(4,390)
Amortisation of trading rights	(506)	(507)	(507)
Impairment of available-for-sale investments	–	(120)	–
Adjustment of goodwill	(1,471)	(5,135)	–
Commission expenses	(10,150)	(6,832)	(50,440)
Finance costs	(35,094)	(14,595)	(8,108)
Other operating expenses	(32,526)	(25,899)	(27,981)
Gain on disposal of subsidiaries	–	–	26,384
Profit before taxation	26,446	3,613	34,472
Taxation (charge) credit	(114)	1,495	–
Profit for the year	26,332	5,108	34,472
ASSETS AND LIABILITIES			
Total assets	695,227	462,449	439,229
Total liabilities	501,674	298,484	282,980
Net assets	193,553	163,965	156,249
Represented by:			
Share capital	25,374	24,964	23,815
Reserves	168,179	139,001	132,434
Total equity	193,553	163,965	156,249

(B) AUDITED FINANCIAL INFORMATION

The following is an extract of the audited financial statements of the Group from the annual reports of the Company for the year ended 31 December 2006.

Consolidated Income Statement

For the year ended 31st December 2006

		2006	2005
	Notes	*HK$'000*	*HK$'000*
			(Restated)
Revenue	7	182,587	115,986
Other income	7	2,236	1,560
Net gain on trading investments	7	11,283	651
Staff costs	13	(88,473)	(58,869)
Depreciation of property, plant and equipment	17	(1,440)	(2,627)
Amortisation of trading rights	16	(506)	(507)
Impairment of available-for-sale investments		–	(120)
Adjustment to goodwill	15	(1,471)	(5,135)
Commission expenses		(10,150)	(6,832)
Finance costs	9	(35,094)	(14,595)
Other operating expenses		(32,526)	(25,899)
Profit before taxation	8	26,446	3,613
Taxation (charge) credit	10	(114)	1,495
Profit for the year		26,332	5,108
Earnings per share (HK cents)			
Basic	12	10.45	2.08
Diluted	12	10.22	2.05

Consolidated Balance Sheet
As at 31st December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Non-current assets			
Goodwill	15	8,151	9,622
Trading rights	16	1,773	2,279
Property, plant and equipment	17	2,463	1,841
Deferred tax assets	25	2,781	1,495
Available-for-sale investments	19	–	680
Statutory deposits for investment banking and financial services business		3,236	3,216
Other intangible assets	21	547	547
		18,951	19,680
Current assets			
Accounts receivable	22	588,236	319,499
Prepayments, deposits and other receivables		5,621	4,845
Trading investments	23	14,441	44,956
Investment in convertible bonds	24	–	4,000
Amounts due from fellow subsidiaries	20	62	194
Bank balances and cash	20	67,916	69,275
		676,276	442,769
Current liabilities			
Accounts payable	26	157,260	33,381
Accrued liabilities and other payables		18,192	11,262
Short-term bank borrowings	27	49,000	28,000
Amount due to ultimate holding company	20	18,679	5,356
Amount due to an investee company	20	–	6
Amounts due to fellow subsidiaries	20	15,243	8,579
Loans from ultimate holding company	20	241,900	211,900
Taxation payable		1,400	–
		501,674	298,484
Net current assets		174,602	144,285
Total assets less current liabilities		193,553	163,965
Capital and reserves			
Share capital	28	25,374	24,964
Reserves		168,179	139,001
Total equity		193,553	163,965

Balance Sheet
As at 31st December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Investments in subsidiaries	18	10	10
Amounts due from subsidiaries	18	50,000	50,000
		50,010	50,010
Current assets			
Prepayments, deposits and other receivables		289	407
Amounts due from subsidiaries	18	399,915	414,869
Amounts due from fellow subsidiaries	20	358	480
Bank balances and cash	20	2,794	9,754
		403,356	425,510
Current liabilities			
Accrued liabilities and other payables		298	196
Amount due to ultimate holding company	20	20,856	7,356
Amounts due to subsidiaries	18	20,217	88,010
Amount due to a fellow subsidiary	20	3,011	3,000
Loans from ultimate holding company	20	241,900	211,900
		286,282	310,462
Net current assets		117,074	115,048
Total assets less current liabilities		167,084	165,058
Capital and reserves			
Share capital	28	25,374	24,964
Reserves	29	141,710	140,094
Total equity		167,084	165,058

Consolidated Statement of Changes In Equity
For the year ended 31st December 2006

	Attributable to equity holders of the parent						
	Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits	Share option reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005, as originally stated	23,815	–	123,758	–	8,676	–	156,249
Restatement of comparatives *(note 3)*	–	–	–	–	(4,948)	–	(4,948)
At 1st January 2005, as restated	23,815	–	123,758	–	3,728	–	151,301
Exchange difference arising on translation of financial statements of an overseas subsidiary	–	–	–	(61)	–	–	(61)
Net expense recognised directly in equity	–	–	–	(61)	–	–	(61)
Profit for the year (restated)	–	–	–	–	5,108	–	5,108
Total recognised income and expense for the year (restated)	–	–	–	(61)	5,108	–	5,047
Exercise of share options	1,149	6,475	–	–	–	–	7,624
Share issue expenses	–	(7)	–	–	–	–	(7)
At 31st December 2005, as restated	24,964	6,468	123,758	(61)	8,836	–	163,965
Exchange difference arising on translation of financial statements of an overseas subsidiary	–	–	–	(179)	–	–	(179)
Net expense recognised directly in equity	–	–	–	(179)	–	–	(179)
Profit for the year	–	–	–	–	26,332	–	26,332
Total recognised income and expense for the year	–	–	–	(179)	26,332	–	26,153
Exercise of share options	410	2,609	–	–	–	–	3,019
Recognition of equity-settled share based payment	–	–	–	–	–	419	419
Share issue expenses	–	(3)	–	–	–	–	(3)
At 31st December 2006	25,374	9,074	123,758	(240)	35,168	419	193,553

Consolidated Cash Flow Statement
For the year ended 31st December 2006

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	26,446	3,613
Depreciation of property, plant and equipment	1,440	2,627
Amortisation of trading rights	506	507
Loss on disposal of property, plant and equipment	–	267
Adjustment to goodwill	1,471	5,135
Recognition of equity-settled share-based payment	419	–
Impairment of available-for-sale investments	–	120
Impairment of doubtful receivables	2,980	2,711
Interest income from authorised institutions	(1,695)	(823)
Interest expenses	35,094	14,595
Operating cash flows before movements in working capital	66,661	28,752
Increase in accounts receivable	(271,712)	(16,018)
Increase in prepayments, deposits and other receivables	(668)	(1,008)
Decrease (increase) in trading investments	30,515	(4,315)
Decrease in amounts due from fellow subsidiaries	132	1,663
Increase (decrease) in accounts payable	123,879	(3,085)
Increase (decrease) in accrued liabilities and other payables	6,747	(15)
Increase in amount due to ultimate holding company	13,322	498
(Decrease) increase in amount due to an investee company	(6)	12
Increase in amounts due to fellow subsidiaries	6,664	5,032
Cash (used in) generated from operations	(24,466)	11,516
Interest paid	(35,077)	(14,580)
Interest received from authorised institutions	1,587	771
Net cash used in operating activities	(57,956)	(2,293)

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Investing activities		
Purchase of property, plant and equipment	(2,061)	(805)
Proceeds from disposal of property, plant and equipment	–	715
Proceeds from disposal of available-for-sale investments	680	–
Proceeds from disposal of convertible notes	4,000	–
(Increase) decrease in statutory deposits for investment banking and financial services business	(20)	143
Net cash from investing activities	2,599	53
Financing activities		
Loans from ultimate holding company	30,000	–
Drawdown of bank borrowings	21,000	13,000
Proceeds from exercise of share options	3,019	7,624
Share issue expenses	(3)	(7)
Net cash from financing	54,016	20,617
Net (decrease) increase in cash and cash equivalents	(1,341)	18,377
Cash and cash equivalents at the beginning of year	69,275	50,916
Effect of change in foreign currency translation	(18)	(18)
Cash and cash equivalents at the end of year, represented by bank balances and cash	67,916	69,275

Notes to the Financial Statements

For the year ended 31st December 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Its immediate holding company is Melco Financial Group Limited (incorporated in the British Virgin Islands) and its ultimate holding company is Melco International Development Limited (incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited ("SEHK")). The address of the registered office of the Company is disclosed on page 7 of the circular of the Company of which this appendix forms part.

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

The principal activities of the Company and its subsidiaries (the "Group") are investment banking and provision of financial services.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")/CHANGES IN ACCOUNTING POLICIES

(a) In the current year, the Group and the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), Amendments and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006 respectively.

The adoption of the following new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented.

(b) The Group and the Company has not early applied the following new Standard, Amendment and Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standard, Amendment or Interpretations will have no material effects on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[6]
HK(IFRIC) – INT 12	Service concession arrangements[7]

[1] Effective for annual periods beginning on or after 1st January 2007.
[2] Effective for annual periods beginning on or after 1st March 2006.
[3] Effective for annual periods beginning on or after 1st May 2006.
[4] Effective for annual periods beginning on or after 1st June 2006.
[5] Effective for annual periods beginning on or after 1st November 2006.
[6] Effective for annual periods beginning on or after 1st March 2007.
[7] Effective for annual periods beginning on or after 1st January 2008.

3. RESTATEMENT OF COMPARATIVES

Under Statement of Standard Accounting Practice 12 (Revised) "Income Taxes" ("SSAP 12") and Hong Kong Financial Reporting Standards 3 "Business Combination" ("HKFRS 3"), if the potential benefit of the acquired subsidiaries' income tax loss carry-forwards did not satisfy the recognition criteria when a business combination is initially accounted for but is subsequently realised, the benefit is recognised as income. In addition, the carrying amount of goodwill is reduced to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. The amount for the reduction in the carrying amount of the goodwill is recognised as an expense.

In December 2002, the Group had acquired subsidiaries with income tax loss carry-forwards which did not satisfy the criteria for separate recognition when a business combination was initially accounted for.

During the years 2004 and 2005, the Group had utilised those income tax loss carry-forwards of approximately HK$28,276,000 and HK$20,802,000 respectively and recognised deferred tax assets relating to pre-acquisition losses from the acquired subsidiaries amounting HK$1,495,000 in 2005. However, the carrying amounts of the goodwill in 2004 and 2005 were not reduced as required under SSAP 12/HKFRS 3.

As a result of the above, comparative amounts have been retrospectively restated. The effect of the adjustments to the financial statements on the consolidated income statement for prior year is as follows:

	2005
	HK$'000
Adjustment to goodwill and decrease in profit for the year	5,135
	HK cents
Decrease in basic earning per share	2.09
Decrease in diluted earning per share	2.07

The effect of the restatements on the Group's equity as at 1st January 2005 is summarized below:

	As at 1st January 2005 (originally stated)	**Adjustment**	**As at 1st January 2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*
Retained profits	8,676	(4,948)	3,728
Total effects on equity	8,676	(4,948)	3,728

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising from the acquisition of subsidiary companies for which the acquisition date is before 1st January 2004 (the date the Group early adopted HKFRS3), 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. There is no goodwill recognised after the adoption of HKFRS 3.

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

Such goodwill is carried at cost less any accumulated impairment losses. It is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

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

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

Subsidiaries

A subsidiary is an entity that is controlled by the Company.

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

Revenue recognition

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

Revenue arising from investment banking and financial services are recognised on the following basis:

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

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

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

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

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

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

Service fees are recognised when the relevant services are rendered.

Trading rights

Trading rights represent rights to trade on the SEHK and Hong Kong Futures Exchange Limited ("HKFE"). They are stated at cost and amortised using the straight-line method over its estimated useful life.

Trading rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the trading rights' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of determining the recoverable amount of trading rights, the Group estimates the recoverable amount of smallest cash generating unit to which the trading rights belong.

Property, plant and equipment

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

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

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

Financial instruments

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

Financial assets

The Group's and the Company's financial assets are classified into one of the 3 categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprised of financial assets held for trading.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including accounts receivable, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from subsidiaries and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement. Any impairment losses on available-for-sale investments are recognised in income statement. Impairment losses on available-for-sale equity investments will not reverse through income statement in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

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

Financial liabilities

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

Equity instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Financial guarantee contracts

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

Derecognition

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxation temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Leasing

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

The Group as lessee

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Employee benefits

The expected costs of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors, employees and other eligible persons

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

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

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

Retirement benefit costs

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

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any 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.

When 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.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimated impairment of goodwill

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

Income taxes

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

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

Estimated impairment of trade receivable

In determining whether 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.

6. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

(ii) Interest rate risk

Short-term floating rate bank loans, which are HIBOR-based, are used to fund margin financings of the securities brokerage business which are typically prime-based. The principal risk lies with the interest rate differential between the interbank rate and the best lending rate. The Group mitigates the risk by monitoring the interest rate gap between the short-term bank loans and margin financing facilities and revises the margin financing rate if necessary.

(iii) Other price risk

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

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

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 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls. In addition, the Group reviews the recoverable amount of each individual receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

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

Liquidity risk

Internally generated cash flow and bank borrowings are the sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rate and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

(b) Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available. the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binominal model).

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

7. REVENUES AND SEGMENT INFORMATION

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

	2006	**2005**
	HK$'000	*HK$'000*
Revenues		
Investment banking and financial services:		
– Brokerage commission from dealing in securities and futures and options contracts	105,186	57,433
– Underwriting, sub-underwriting, placing and sub-placing commission	10,077	9,232
– Arrangement, management, advisory and other fee income	6,070	19,016
– Interest income from clients	61,254	30,305
	182,587	115,986
Other income		
Interest income from authorised institutions	1,695	823
Dividend income	415	667
Sundry income	126	70
	2,236	1,560
Net gain on trading investments	11,283	651
Total income	196,106	118,197

Primary reporting format – business segments

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

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

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

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

Year ended 31st December 2006

	Broking	Margin and other financing	Corporate advisory and others	Corporate	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues	105,186	61,254	16,147		–	182,587
Inter-segment sales	–	378	–		(378)	–
	105,186	61,632	16,147		(378)	182,587
Segment results	6,707	14,972	7,174		–	28,853
Unallocated costs						(2,407)
Profit before taxation						26,446
Taxation charge						(114)
Profit for the year						26,332
Segment assets	181,097	467,673	39,299	4,377		692,446
Unallocated corporate assets						2,781
						695,227
Segment liabilities	172,601	291,228	2,361	34,084		500,274
Unallocated corporate liabilities						1,400
						501,674
Other segment information:						
Depreciation of property, plant and equipment	747	–	574	119	–	1,440
Amortisation of trading rights	506	–	–	–	–	506
Capital expenditures	1,483	–	523	55	–	2,061
Impairment of doubtful receivables	–	2,895	85	–	–	2,980

Year ended 31st December 2005 (Restated)

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Corporate *HK$'000*	Eliminations *HK$'000*	Total *HK$'000* (Restated)
Segment revenues	60,273	30,305	25,408		–	115,986
Inter-segment sales	–	207	–		(207)	–
	60,273	30,512	25,408		(207)	115,986
Segment results	(9,276)	4,838	8,872		–	4,434
Unallocated costs						(821)
Profit before taxation						3,613
Taxation credit						1,495
Profit for the year						5,108
Segment assets	47,210	307,543	92,025	14,176		460,954
Unallocated corporate assets						1,495
						462,449
Segment liabilities	25,601	239,921	18,640	14,322		298,484
Other segment information:						
Depreciation of property, plant and equipment	1,744	–	587	296	–	2,627
Amortisation of trading rights	507	–	–	–	–	507
Capital expenditures	297	–	504	4	–	805
Impairment of doubtful receivables	–	2,711	–	–	–	2,711

Inter-segment sales are charged at prevailing market rate.

Secondary reporting format – geographical segments

Year ended 31st December 2006 and 2005

No geographical segment analysis is presented for the years ended 31st December 2006 and 2005 as over 90% of the Group's revenues, segment results and the location of assets during the years ended 31st December 2006 and 2005 are derived from or located in Hong Kong.

8. PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting and charging the following:		
Auditor's remuneration	980	905
Loss on disposal of property, plant and equipment	–	267
Operating leases in respect of land and buildings	4,405	2,525
Net exchange gain	(315)	(70)
Impairment of doubtful receivables	2,980	2,711

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interests on bank loans and overdrafts wholly repayable within five years	21,827	5,647
Interests on loans from ultimate holding company	13,267	8,948
	35,094	14,595

10. TAXATION

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

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

	2006	2005
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong Profits Tax	1,400	–
Deferred taxation	(1,286)	(1,495)
	114	(1,495)

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	26,446	3,613
Calculated at Hong Kong Profits Tax rate of 17.5%	4,628	632
Income not subject to taxation	(272)	(135)
Expenses not deductible for taxation purposes	506	1,007
Utilisation of previously unrecognised tax losses	(5,971)	(3,741)
Unrecognised deferred tax assets arising from estimated tax losses	590	453
Others	633	289
Taxation charge (credit)	114	(1,495)

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31st December 2006 (2005: Nil).

12. EARNINGS PER SHARE

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	26,332	5,108

	2006	2005
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	252,064	245,864
Effect of dilutive potential ordinary shares:		
Share options	5,519	2,767
Weighted average number of ordinary shares for the purposes of diluted earnings per share	257,583	248,631

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	*HK$'000*
Staff commission	56,766	30,980
Wages and salaries	27,586	25,343
Staff welfare	1,027	613
Recruitment costs	518	290
Unutilised annual leave	1,283	404
Termination benefits	–	266
Pension costs – contributions to defined contribution plans	1,056	986
Forfeiture of pension contributions	(182)	(13)
Recognition of equity-settled share based payment	419	–
	88,473	58,869

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

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

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

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

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

	Ho, Lawrence Yau Lung	Dr. Lee Jun Sing	Sham Sui Leung, Daniel	Dr. Tyen Kanhee, Anthony	Attorney Patajo-Kapunan, Lorna	Sun Patrick	Chu Ho Miu Hing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006								
Fees	–	32	195	195	170	–	2	594
Other emoluments								
Salaries and other benefits	600	–	–	–	–	1,128	–	1,728
Retirement benefits scheme contribution	12	–	–	–	–	5	–	17
Total emoluments	612	32	195	195	170	1,133	2	2,339

	Ho, Lawrence Yau Lung	Dr. Lee Jun Sing	Sham Sui Leung, Daniel	Dr. Tyen Kanhee, Anthony	Attorney Patajo-Kapunan, Lorna	Patrick Sun	Chu Ho Miu Hing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005								
Fees	–	21	151	151	140	–	–	463
Other emoluments								
Salaries and other benefits	600	–	–	–	–	–	–	600
Retirement benefits scheme contribution	12	–	–	–	–	–	–	12
Total emoluments	612	21	151	151	140	–	–	1,075

During the year ended 31st December 2006, 2,400,000 options were granted to the Directors of the Company (2005: Nil) in respect of their services provided to the Group, further details of which are set out in note 30 to the financial statements. An amount of approximately HK$14,000 in respect of the share options granted during the year has been charged to the consolidated income statement (2005: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the two years ended 31st December 2006 are all employees. The details of the emoluments payable to these five individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	7,752	6,214
Retirement benefits scheme contribution	60	60
	7,812	6,274

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

	Number of individuals 2006	2005
Emolument bands		
Nil – HK$1,000,000	–	2
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	3	2
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
More than HK$3,000,000	–	–

15. GOODWILL

	HK$'000
COST	
At 1st January 2005, previously stated	19,705
Reduction in goodwill due to utilisation of pre-acquisition tax losses	(4,948)
Restated at 1st January 2005	14,757
Reduction in goodwill due to utilisation of pre-acquisition tax losses	(5,135)
Restated at 31st December 2005	9,622
Reduction in goodwill due to utilisation of pre-acquisition tax losses	(1,471)
At 31st December 2006	8,151

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the amount has been allocated to two individual cash generating units ("CGUs") by its primary reporting segments, margin and other financing and corporate advisory and others and the carrying amount of goodwill had been allocated as below:

	2006 *HK$'000*	2005 *HK$'000* (restated)
Margin and other financing	–	372
Corporate advisory and others	8,151	9,250
	8,151	9,622

During the year ended 31st December 2006, management of the Group determines that there is no impairment of the two CGUs containing goodwill.

The basis of the recoverable amounts of the CGUs and the major underlying assumptions of the CGUs are the same and are summarised below:

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period and a discount rate of 8.24% (2005: 7.75%). The cash flows beyond the 3 years period are extrapolated using a zero growth rate for an indefinite period. Another key assumption is the budgeted revenue, which is determined based on the CGUs' 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 amounts of the CGUs to exceed the aggregate recoverable amount of the CGUs.

16. TRADING RIGHTS

	HK$'000
COST	
At 1st January 2005, 1st January 2006 and 31st December 2006	5,066
AMORTISATION AND IMPAIRMENT	
At 1st January 2005	2,280
Provided for the year	507
At 1st January 2006	2,787
Provided for the year	506
At 31st December 2006	3,293
CARRYING VALUE	
At 31st December 2006	1,773
At 31st December 2005	2,279

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

17. PROPERTY, PLANT AND EQUIPMENT

	The Group			
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st January 2005	4,640	7,894	9,382	21,916
Additions	401	150	254	805
Disposals	(265)	(142)	(1,303)	(1,710)
Transfers (note 33)	(466)	(184)	(65)	(715)
Exchange difference	5	4	4	13
At 31st December 2005	4,315	7,722	8,272	20,309
Additions	416	294	1,351	2,061
Disposals	–	–	(2)	(2)
Exchange difference	11	7	9	27
At 31st December 2006	4,742	8,023	9,630	22,395
DEPRECIATION				
At 1st January 2005	2,477	6,254	8,544	17,275
Charge for the year	1,311	858	458	2,627
Disposals	(37)	(110)	(1,296)	(1,443)
Exchange difference	5	2	2	9
At 31st December 2005	3,756	7,004	7,708	18,468
Charge for the year	434	477	529	1,440
Disposals	–	–	(2)	(2)
Exchange difference	11	7	8	26
At 31st December 2006	4,201	7,488	8,243	19,932
NET BOOK VALUES				
At 31st December 2006	541	535	1,387	2,463
At 31st December 2005	559	718	564	1,841

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

Leasehold improvements	Over the lease term not exceeding three years
Furniture, fixtures and equipment	20 – 25%
Computer equipment and software	25 – 331/3%

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

	THE COMPANY	
	2006	**2005**
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	10	10

Amounts due from subsidiaries (non-current):

Included in the amounts are loans to subsidiaries of HK$50 million (2005: HK$50 million) which are unsecured, interest-bearing at prime rate minus 2% per annum.

Amounts due from subsidiaries (current):

Included in the amounts are loan to a subsidiary amounted to HK$120 million (2005: HK$50 million) which is unsecured, repayable on demand, and amounts due from subsidiaries amounted to HK$72 million (2005: HK$111 million) which is unsecured, interest-bearing at prime minus 2% per annum or HIBOR plus 1.25 to 2% per annum and repayable on demand while the remaining are unsecured, interest free and repayable on demand. All amounts are expected to be repaid within 12 months.

Amounts due to subsidiaries:

Amounts due to subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts at the balance sheet date approximate their fair value.

The following is a list of the principal subsidiaries of the Group as at 31st December 2006:

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	230,000,000 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%
VC Capital Limited[2]	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	20,000,000 ordinary shares of HK$1 each	100%
VC Capital (Shenzhen) Limited[2]	PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
VC Securities Investments Limited[2]	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
VC Asset Management Limited[2]	Hong Kong	Provision of asset management services to clients in Hong Kong	15,000,000 ordinary shares of HK$1 each	100%
VC Investment Management Limited[2]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held
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 ordinary shares of MOP$24,000 and MOP$1,000 each	100%
VC Services Limited[1]	Hong Kong	Provision of management services to group companies in Hong Kong	10,000 ordinary shares of HK$1 each	100%
VC Strategic Investments Limited[1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%

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

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

19. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	–	2,000
Impairment losses	–	(1,320)
	–	680

The amount represented unquoted equity instrument for which the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The impairment losses are not reversible.

The unquoted equity instrument was sold to third party at the carrying value of HK$680,000 on 27th November 2006.

20. OTHER FINANCIAL ASSETS AND LIABILITIES

Amounts due from/to an investee company/fellow subsidiaries/ultimate holding company

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

Bank balances and cash

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

From the Group's ordinary business, it acts as a trustee that result 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 balance sheet. As at 31st December 2006, the Group maintained segregated account with HKFE Clearing Corporation Limited ("HKCC") and the authorised institutions in conjunction with its future and brokerage businesses as a result of its normal business transactions with amounts of approximately HK$2,697,000 (2005: HK$1,670,000) and HK$551,852,000 (2005: HK$192,418,000) respectively, which are not otherwise dealt with in the financial statements.

Loans from ultimate holding company

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

21. OTHER INTANGIBLE ASSETS

	HK$'000
COST	
At 1st January 2005, 1st January 2006 and 31st December 2006	1,839
IMPAIRMENT	
At 1st January 2005, 1st January 2006 and 31st December 2006	1,292
CARRYING VALUE	
At 31st December 2006 and 31st December 2005	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.

22. ACCOUNTS RECEIVABLE

	2006	2005
	HK$'000	*HK$'000*
THE GROUP		
Accounts receivable arising from the ordinary course of business of dealing in *(Note a)*:		
– Securities transactions:		
Clearing houses and brokers	49,199	6,362
Cash clients	232,231	134,395
Margin clients	305,511	177,937
– Futures and options contracts transactions:		
Brokers	136	133
HKCC	43	44
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note b)*	1,116	628
	588,236	319,499

Notes:

(a) Credit limit is approved for each client by designated approvers according to the clients' credit worthiness. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after the trade date. The settlement terms of accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand. Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The decision for rate changes is on management's discretion subject to notification to clients. Securities are assigned with specific margin ratios for calculating their margin values. Loans granted to securities margin clients are further subject to the discounted value of securities deposited with reference to these specific margin ratios. Additional funds or collateral are required if the loan outstanding exceeds the eligible margin value of securities deposited. As at 31st December 2006, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$2,435,797,000 (2005: HK$5,266,133,000). No aging analysis on margin clients' receivables is disclosed as, in the opinion of the Directors, an aging analysis is not meaningful in view of the nature of the business of securities margin financing. Except for the loans to margin clients, all accounts receivable arising from the business of dealing in securities transactions are aged as follows:

	2006	2005
	HK$'000	*HK$'000*
The Group		
Within 30 days	270,365	115,847
31 – 90 days	6,853	12,852
Over 90 days	4,212	12,058
	281,430	140,757

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

	2006	**2005**
	HK$'000	*HK$'000*
The Group		
Within 30 days	741	409
31 – 90 days	90	64
Over 90 days	285	155
	1,116	628

23. TRADING INVESTMENTS

	2006	**2005**
	HK$'000	*HK$'000*
THE GROUP		
Trading investments		
Listed equity securities, at market value	14,441	44,956

The trading investments as at 31st December 2006 represent equity securities listed in Hong Kong of HK$14,441,000 (2005: listed in Taiwan and Hong Kong of HK$465,000 and HK$44,491,000 respectively).

24. INVESTMENT IN CONVERTIBLE BONDS

	2006	**2005**
	HK$'000	*HK$'000*
Unlisted convertible bonds	–	4,000

The prior year amount represented debt element of the convertible bonds while the derivative portion relating to the conversion option was accounted for separately with immaterial fair value.

25. DEFERRED TAX ASSETS

	Estimated unused tax losses
	HK$'000
At 1st January 2005	–
Credited to consolidated income statement for the year *(Note 10)*	1,495
At 31st December 2005 and 1st January 2006	1,495
Credited to consolidated income statement for the year *(Note 10)*	1,286
At 31st December 2006	2,781

As at 31st December 2006, the Group and the Company have estimated unused tax losses of HK$136,275,000 and HK$47,723,000 (2005: HK$159,669,000 and HK$46,002,000) respectively to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statements in respect of HK$15,900,000 (2005: HK$8,546,000) to the extent that realisation of the related tax benefit through future taxable profits is probable. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

26. ACCOUNTS PAYABLE

Accounts payable arising from the ordinary course of business of dealing in securities transactions (Note a):

	2006	2005
	HK$'000	*HK$'000*
Cash clients *(Note b)*	150,489	28,899
Margin clients	6,771	4,482
	157,260	33,381

Notes:

(a) The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities transactions are usually two trading days after trade date. These accounts payable are repayable on demand. Therefore, no aging analysis is disclosed as, in the opinion of Directors, an aging analysis is not meaningful in view of all these accounts payable are promptly settled two trading days after trade date.

(b) Included in accounts payable to cash clients was approximately HK$7,442,000 as at 31st December 2006 (2005: Nil) due to companies with common directors and HK$345,000 (2005: HK$1,000) due to key management personnel, directors and close member of director, in respect of transactions in securities undertaken for their accounts.

27. SHORT-TERM BANK BORROWINGS

The amounts represent short-term bank borrowings of HK$49,000,000 which is repayable on demand and unsecured as at 31st December 2006 (2005: HK$28,000,000 repayable on demand and partially secured by a charge over certain marketable securities from margin clients). The Company also provided a corporate guarantee for the facilities. The interest rates for the loans are HIBOR plus a spread, thus exposing the Group to cash flow interest rate risk. The terms of the facilities are generally renewed annually.

28. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each	
	No. of shares	Amount
		HK$'000
At 31st December 2005 and 31st December 2006	10,000,000,000	1,000,000

	Issued and full paid Ordinary shares of HK$0.1 each	
	No. of shares	Amount
		HK$'000
At 1st January 2005	238,154,999	23,815
Exercise of share options	11,486,227	1,149
At 31st December 2005	249,641,226	24,964
Exercise of share options	4,098,953	410
At 31st December 2006	253,740,179	25,374

29. RESERVES

THE COMPANY

	Share option reserve HK$'000	Share premium HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2005	–	–	123,758	10,864	134,622
Loss for the year	–	–	–	(996)	(996)
Exercise of share options	–	6,475	–	–	6,475
Share issue expense	–	(7)	–	–	(7)
At 31st December 2005	–	6,468	123,758	9,868	140,094
Loss for the year	–	–	–	(1,409)	(1,409)
Recognition of equity-settled share based payment	419	–	–	–	419
Exercise of share options	–	2,609	–	–	2,609
Share issue expense	–	(3)	–	–	(3)
At 31st December 2006	419	9,074	123,758	8,459	141,710

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

30. SHARE OPTIONS

The Share Option Scheme ("Share Option Scheme") was adopted by the Company on 29th November 2001 (which superseded the previous share option scheme of the Company adopted on 14th March 2001). The purpose of the Share Option Scheme is to recognize and acknowledge the contributions that had or may have made by the participants to the Group and also provide them an opportunity to have a personal stake in the Company with the view to motivating them to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing business relationship with them whose contributions are beneficial to the long term growth of the Group.

As at 31st December 2006, options to subscribe for an aggregate of (1) 2,137,163, (2) 7,623,065, (3) 654,934 and (4) 2,400,000 underlying Shares granted on 9th July 2002, 25th March 2004, 15th March 2006 and 27th December 2006 ("Share Options") pursuant to the Share Option Scheme at an exercise price of HK$1.00 per share, HK$0.64 per share, HK$1.18 per share and HK$1.292 per share respectively were outstanding, which in total represents approximately 5.05% (2005: 5.7%) of the shares of the Company in issue as at 31st December 2006. The adjusted closing price of the Company's shares immediately before 9th July 2002 and the closing prices of the Company's shares immediately before 25th March 2004, 15th March 2006 and 27th December 2006 were HK$0.65, HK$0.64, HK$1.06 and HK$1.24 per share respectively. The Share Options have a duration of 10 years from the date of grant, i.e. between 9th July 2002 to 8th July 2012, between 25th March 2004 to 24th March 2014, between 15th March 2006 to 14th March 2016 and between 27th December 2006 to 26th December 2016 respectively. Accordingly to the Share Option Scheme, any Share Options granted shall lapse upon the expiration of 3 months after the relevant grantee ceases to be employed (if applicable) by the Group.

During the year ended 31st December 2006, certain Share Options to subscribe for a total of 349,552 (2005: 1,654,323) underlying Shares granted to 3 employees (2005: 8 employees) lapsed as the relevant employees failed to exercise the same within 3 months after the relevant employees ceased to be the employees of the Group. During the year ended 31st December 2006, certain Share Options to subscribe for a total of 1,096,453 and 3,002,500 underlying shares at an exercise price of HK$1.0 and HK$0.64 per share respectively granted to a total of 20 employees were exercised (2005: 42 employees). Since the date of the grant of the Share Options up to 31st December 2006 and 31st December 2005, none of the Share Options were cancelled. Movements in the number of Share Options outstanding during the year are as follows:

2006

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

2005

Categories of grantees	Grant date of options	Exercise price per share	Balance as at 1st January 2005	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31st December 2005
Directors of the Company	9th July 2002	HK$1.00	982,114	–	–	–	–	982,114
Employees	9th July 2002	HK$1.00	1,782,539	(903,553)	–	(19,642)	(164,502)	694,842
Employees	25th March 2004	HK$0.64	23,160,565	(2,050,000)	–	(10,730,000)	(1,480,000)	8,900,565
Other eligible persons	9th July 2002	HK$1.00	1,424,065	903,553	–	(736,585)	(9,821)	1,581,212
Other eligible persons	25th March 2004	HK$0.64	–	2,050,000	–	–	–	2,050,000
			27,349,283	–	–	(11,486,227)	(1,654,323)	14,208,733

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

During the year ended 31st December 2006, options were granted on 15th March 2006 and 27th December 2006. The estimated fair values of the options granted on those dates were approximately HK$405,281 and HK$1,745,757 respectively. Share options granted on 15th March 2006 were fully vested at grant date. The vesting period for share options granted on 27th December 2006 is from one to three years.

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

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

Expected volatility for the options granted on 15th March 2006 and 27th December 2006 was determined by using the historical volatility of the Company's share price over the previous 250 days and 260 days respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restrictions and behavioural considerations. The Group recognised the total expense of approximately HK$419,105 for the year ended 31st December 2006 (2005: Nil) in relation to share options granted by the Company.

31. FINANCIAL GUARANTEES

As at 31st December 2006, the Company has given financial guarantees to banks in respect of banking facilities provided to VC Brokerage amounted to HK$140 million (2005: HK$120 million). At 31st December 2006, HK$49 million (2005: HK$28 million) was utilised by VC Brokerage. The fair value of the financial guarantee contracts is immaterial and hence no adjustment has been required.

32. COMMITMENTS

(a) Capital commitments

At 31st December 2006, the Group and the Company did not have any material commitments contracted but not provided for in respect of purchase of property, plant and equipment (2005: Nil).

(b) Commitments under operating leases

At 31st December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	5,991	4,539
Later than one year and not later than five years	6,978	10,108
	12,969	14,647

Operating lease payments represent rentals payable by the Group for certain of its office properties. Rentals are fixed for an average of three years.

At 31st December 2006 and 31st December 2005, the Company does not have other operating lease commitments.

33. RELATED PARTY TRANSACTIONS

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

THE GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Transfer of property, plant and equipment to fellow subsidiaries	–	715
Rental paid to fellow subsidiaries	50	178
Technical, network and other service fees charged from fellow subsidiaries	3,564	2,869
Purchases of computer hardware and software from fellow subsidiaries	750	272
Brokerage commission income/interest income earned from certain directors of the Group or their relatives	125	145
Brokerage commission income earned from a company with a common director	2,245	–
Interest expenses charged on loans from ultimate holding company	13,267	8,948
Management fee paid to a fellow subsidiary	3,600	3,600
Financial advisory and arrangement fees charged to ultimate holding company	550	900

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

THE COMPANY

	2006	**2005**
	HK$'000	*HK$'000*
Interest expenses charged on loans from ultimate holding company	13,267	8,948

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

Compensation of key management personnel

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

THE GROUP

	2006	**2005**
	HK$'000	*HK$'000*
Short term benefits	9,400	6,165
Share-based payment	419	–
	9,819	6,165

THE COMPANY

	2006	**2005**
	HK$'000	*HK$'000*
Short term benefits	593	463
Share-based payment	419	–
	1,012	463

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Company's operating results and market standards.

(C) INDEBTEDNESS STATEMENT

As at 30 September 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group (other than MCB) had outstanding indebtedness of approximately HK$1,405 million, comprising bank borrowings of HK$1,131 million and amounts due to the group companies of HK$274 million. Bank borrowings included staging loans of HK$1,066 million, unsecured revolving loans of HK$20 million and loans secured by corporate guarantees of HK$45 million. The amounts due to group companies represented loans from ultimate holding company of HK$242 million, amounts due to ultimate holding company and fellow subsidiaries of HK$19 million and HK$13 million respectively.

Save as aforesaid and apart from intra-group liabilities, as at 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group (other than MCB) had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, mortgages, charges, guarantees and other material contingent liabilities.

As at 30 September 2007, MCB accepts deposits from customers, banks and other financial institutions of approximately HK$147 million in the normal course of their banking business. MCB also had contingent liabilities of approximately HK$23 million, comprising guarantees and other endorsements of approximately HK$18 million and liabilities under letters of credit on behalf of customers of approximately HK$5 million, as at 30 September 2007.

Save as aforesaid, as at 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, MCB had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, mortgages, charges, guarantees and other material contingent liabilities.

(D) WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseen circumstances and after taking into account the internal financial resources of the Group (including MCB), the Group (including MCB) will have sufficient working capital to satisfy its present requirements, that is for at least the next 12 months from the date of this circular.

(E) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The local stock market was on an uptrend supported by the strengthening local economy, improved corporate earnings and frequent fund raising activities in the first half of the year. The recently announced relaxed investment rules to be imposed in the PRC allowing residents in the PRC to buy Hong Kong shares have boosted market sentiment in Hong Kong and the Hang Seng Index broke the 30,000 mark for the first time in October this year. However, worries over sub-prime lending in the U.S. resulted in a highly volatile market, hence caution is required in investing in the stock market.

Looking ahead, the Group expects the economy to continue to revive and investor confidence to grow. The management is therefore optimistic about the long-term prospects of the Group's financial services business. With strong experience and managerial know-how in the financial services industry, the Group will continue to enhance its product and service offerings to cater for clients' diverse and growing needs.

Upon completion of the acquisition of a controlling interest in MCB, the Group will become a full-fledged financial services group that can offer, in addition to its existing product portfolio, commercial and retail banking services in the high-growth region of Macau, and provide synergistic benefits to the Group as a whole. The Group will continue to actively seek strategic acquisitions that can enable it to capture new business opportunities in the rapidly growing financial markets in the Greater China region and broaden its customer base, revenues and profit fundamentals, and ultimately improve Shareholders' value.

(F) MANAGEMENT DISCUSSION AND ANALYSIS

The following is the management discussion and analysis of the performance of MCB for the three years ended 31 December 2004, 2005 and 2006 and six months ended 30 June 2007.

Operating results

Gross interest income of MCB for the three years ended 31 December 2006 and six months ended 30 June 2007 were approximately MOP11.6 million (approximately HK$11.3 million), MOP16.2 million (approximately HK$15.7 million), MOP26.9 million (approximately HK$26.1 million) and MOP13.7 million (approximately HK$13.3 million) respectively. Majority of the gross interest income during the period under review was earned from loans and advances to customers while the remaining represents interest income from loans to other banks and other listed investments.

Interest expense incurred for the three years ended 31 December 2006 and six months ended 30 June 2007 were approximately MOP1.8 million (approximately HK$1.7 million), MOP2.1 million (approximately HK$2.0 million), MOP6.3 million (approximately HK$6.1 million) and MOP3.1 million (approximately HK$3.0 million) respectively. The higher than usual interest expense for the year ended 31 December 2006 was due to a substantial increase in customer deposits during that financial year.

MCB benefited from the strong economic growth in Macau and rising interest rates, which lead to an increase in net interest income for the period under review. Net interest income of MCB for the three years ended 31 December 2006 and six months ended 30 June 2007 were approximately MOP9.8 million (approximately HK$9.5 million), MOP14.1 million (approximately HK$13.7 million), MOP20.5 million (approximately HK$19.9 million) and MOP10.6 million (approximately HK$10.3 million) respectively.

MCB's other net operating income consists primarily of dividend income from unlisted funds, fees and commission income, gains less losses arising from foreign currency transactions, fair value of gains/losses on securities, gains/losses on disposal of securities and gains/losses on disposal of available-for-sale securities. Other net operating income of MCB for the three years ended 31 December 2006 and six months ended 30 June 2007 amounted to approximately MOP6.8 million (approximately HK$6.6 million), MOP2.9 million (approximately HK$2.8 million), MOP5.3 million (approximately HK$5.1 million) and MOP3.3 million (approximately HK$3.2 million) respectively.

MCB's operating expenses for the three years ended 31 December 2004, 2005, 2006 and six months ended 30 June 2007 were approximately MOP9.8 million (approximately HK$9.5 million), MOP11.9 million (approximately HK$11.5 million), MOP16.1 million (approximately HK$15.6 million) and MOP8.8 million (approximately HK$8.5 million) respectively. The increase in operating expenses over the years was primarily due to increased salaries and administration expenses to support the business growth of MCB.

Management of MCB adopted a conservative lending policy and strived to improve asset quality. The overall credit quality of MCB remained sound and achieved encouraging results during the period under review, despite the increasing operating and interest expenses. The recorded net profit of MCB for the three years ended 31 December 2006 and six months ended 30 June 2007 amounted to approximately MOP6.0 million (approximately HK$5.8 million), MOP7.0 million (approximately HK$6.8 million), MOP8.7 million (approximately HK$8.4 million) and MOP4.0 million (approximately HK$3.9 million) respectively.

Foreign exchange exposure

Most business transactions of MCB were denominated in MOP and HK$ which are exchanged within a narrow bandwidth and MCB has only a small portion of credit granted in other foreign currency. MCB did not enter into any currency hedging activities during the period under review..

Capital Structure and liquidity

Customers deposit has been the main funding source of MCB and MCB had no bank borrowings during the period under review. The gearing ratio (calculated as bank borrowings over equity plus bank borrowings) as at 31 December 2004, 2005, 2006 and 30 June 2007 were nil. The aggregate of cash on hand and balances with banks, deposits with monetary authority and placements with other banks as at 31 December 2004, 2005, 2006 and 30 June 2007 were approximately MOP86.5 million (approximately HK$83.9 million), MOP66.4 million (approximately HK$64.4 million), MOP269 million (approximately HK$260.9 million) and MOP153.1 million (approximately HK$148.5 million) respectively.

Contingent liabilities

MCB had guarantees and other endorsements amounted to approximately MOP16 million (approximately HK$15.5 million), MOP12.1 million (approximately HK$11.7 million), MOP17.7 million (approximately HK$17.2 million) and MOP18.9 million (approximately HK$18.3 million) as at 31 December 2004, 2005, 2006 and 30 June 2007 respectively. In addition, MCB had liabilities under letters of credit on behalf of customers amounted to approximately MOP14.1 million (approximately HK$13.7 million), MOP18.7 million (approximately HK$18.1 million), MOP12.8 million (approximately HK$12.4 million) and MOP3.6 million (approximately HK$3.5 million) as at 31 December 2004, 2005, 2006 and 30 June 2007 respectively.

Charges on assets

As at 31 December 2004, 2005, 2006 and 30 June 2007, MCB did not have any charge on its assets.

Employees

As at 31 December 2004, 2005 and 2006 and 30 June 2007, MCB had approximately 16, 23, 30 and 31 employees respectively. Employees were remunerated based on individual responsibilities, performance, experience and market condition.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from Winwise's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

17 November 2007

The Board of Directors
Winwise Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Winwise Holdings Limited ("Winwise"), for each of the three years ended 31 December 2006 and the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of Value Convergence Holdings Limited ("VC") dated 17 November 2007 (the "Circular") in connection with the proposed acquisition of Winwise by VC.

Winwise was incorporated in Hong Kong on 18 January 2002. The principal activity of Winwise is investment holding.

We have acted as auditors of Winwise for the Relevant Periods. Winwise's financial statements for the Relevant Periods were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

The income statements and statement of changes in equity of Winwise for the Relevant Periods, the balance sheets of Winwise as at 31 December 2004, 2005 and 2006, and 30 June 2007, together with the notes thereto set out in this report (collectively the "Financial Information"), have been prepared based on the audited financial statements of Winwise and are presented on the basis set out in Note 3.1 of the Financial Information below.

For the purpose of this report, we have examined the Financial Information of Winwise for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, the Financial Information for the six months ended 30 June 2006, for which the directors are responsible, has been reviewed to our satisfaction in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. This standard requires that the auditors plan and perform the review to obtain moderate assurance as to whether the Financial Information for the six months ended 30 June 2006 are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information for the six months ended 30 June 2006.

The directors of Winwise are responsible for the preparation of the Financial Information. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied. It is our responsibility to form an independent opinion on the Financial Information in respect of the Relevant Periods and a review conclusion on the Financial Information for the six months ended 30 June 2006 and to report our opinion solely to you. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in Note 3.1 of the Financial Information, gives a true and fair view of the state of affairs of Winwise as at 31 December 2004, 2005, 2006 and 30 June 2007 and of the results of Winwise for the Relevant Periods.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of Winwise for the six months ended 30 June 2006 are not presented fairly, in all material respects, in accordance with HKFRSs.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December			Six months ended 30 June	
		2004	**2005**	**2006**	**2006**	**2007**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
ADMINISTRATIVE EXPENSES AND LOSS FOR THE YEAR/PERIOD	7	(17,705)	(17,705)	(17,705)	(2,706)	(7,803)

BALANCE SHEETS

		As at 31 December			As at 30 June
		2004	**2005**	**2006**	**2007**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS					
Interests in subsidiaries	9	214,661,370	214,661,370	214,661,370	214,670,808
NON-CURRENT LIABILITY					
Due to the immediate holding company	11	214,700,328	214,718,033	214,735,640	214,752,881
NET LIABILITIES		(38,958)	(56,663)	(74,270)	(82,073)
DEFICIENCY IN ASSETS					
Issued capital	10	2	2	100	100
Accumulated losses		(38,960)	(56,665)	(74,370)	(82,173)
		(38,958)	(56,663)	(74,270)	(82,073)

I. FINANCIAL INFORMATION *(continued)*

STATEMENTS OF CHANGES IN EQUITY

	Note	Issued capital *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 January 2004		2	(21,255)	(21,253)
Loss for the year		–	(17,705)	(17,705)
At 31 December 2004 and 1 January 2005		2	(38,960)	(38,958)
Loss for the year		–	(17,705)	(17,705)
At 31 December 2005 and 1 January 2006		2	(56,665)	(56,663)
Issue of shares	10	98	–	98
Loss for the year		–	(17,705)	(17,705)
At 31 December 2006 and 1 January 2007		100	(74,370)	(74,270)
Loss for the period		–	(7,803)	(7,803)
At 30 June 2007		100	(82,173)	(82,073)

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Winwise is a limited liability company incorporated in Hong Kong. The registered office of Winwise is located at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of Winwise is investment holding.

During the Relevant Periods, there were no significant changes in the principal activity of Winwise.

The immediate holding company of Winwise is Hongkong Chinese Limited ("HKCL"), which is incorporated in Bermuda. In the opinion of the directors, the ultimate holding company of Winwise is Lippo Cayman Limited, which is incorporated in the Cayman Islands.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Financial Information have been prepared under the going concern basis notwithstanding the deficiency in assets at 31 December 2004, 2005 and 2006 and 30 June 2007 because the immediate holding company has agreed to provide adequate funds for Winwise to meet its liabilities as and when they fall due and not to demand repayment of the amount due to it until such time as Winwise is in a position to repay the amount without prejudicing its ability to continue as a going concern.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs, which comprise standards and interpretations issued by the HKICPA. Winwise has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HKAS 23 (Revised)	Borrowing Costs

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of Winwise, the products and services provided by the segments, the geographical areas in which Winwise operates, and revenues from Winwise's major customers. This standard will supersede HKAS 14 "Segment Reporting".

The HK(IFRIC)-Int 11, 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

Winwise has not early adopted these new HKFRSs in the Financial Information for the period ended 30 June 2007. Winwise has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

3.2 BASIS OF MEASUREMENT

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollar ("HK$").

Cash flow statements have not been presented as all Winwise's transactions during the Relevant Periods were settled by Winwise's immediate holding company on its behalf and Winwise does not operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the Relevant Periods. Accordingly, in the opinion of the directors, the presentation of cash flow statements would provide no additional useful information to the users of the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Consolidated Financial statements

As permitted by HKAS 27 "Consolidated and Separate Financial Statements" and Section 124(2)(a) of the Hong Kong Companies Ordinance, consolidated financial statements have not been prepared as Winwise is a wholly-owned subsidiary of HKCL, which prepares consolidated financial statements in accordance with HKFRSs, which can be obtained at its registered office at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

(ii) Subsidiaries

A subsidiary is an entity in which Winwise, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which Winwise has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the income statement to the extent of dividends received or receivable. Interests in subsidiaries are stated at cost less any impairment loss.

(iii) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(iv) Related parties

A party is considered to be related to Winwise if:

a. the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Winwise; (ii) has an interest in Winwise that gives it significant influence over Winwise; or (iii) has joint control over Winwise;

b. the party is a member of the key management personnel of Winwise or its parent;

c. the party is a close member of the family of any individual referred to in (a) or (b); or

d. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred in (b) or (c).

(v) Financial instruments

Financial asset

Winwise's financial asset includes an amount due from a subsidiary and is classified and accounted for as loans and receivables. Financial asset is recognised on the settlement date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their values are recognised in the income statement.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Impairment loss on loans and receivables is recognised when there is objective evidence that Winwise will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liability

Winwise's financial liability includes an amount due to the immediate holding company. Financial liability is recognised when Winwise becomes a party to the contractual provisions of the instrument.

Financial liability is initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(vi) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that the taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(vii) Foreign currency transactions

These financial statements are presented in HK$, which is Winwise's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgement

In the process of applying Winwise's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Information:

Impairment of assets

Winwise has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment testing.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet dates, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Impairment of assets

Winwise determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of cash-generating units to which the asset is allocated. Estimating the value in use requires Winwise to make an estimate of the expected future cash flows from the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

6. REVENUE

Winwise did not generate any revenue during the Relevant Periods.

7. LOSS FOR THE YEAR

Loss for the Relevant Periods is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Auditors' remuneration	15,000	15,000	15,000	–	–

None of the directors received any remuneration in respect of their services rendered to Winwise during the Relevant Periods.

8. TAX

No provision for Hong Kong profits tax has been made as Winwise did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

There was no unprovided deferred tax in respect of the of years/periods and as at the balance sheet dates.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

9. INTERESTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	214,661,370	214,661,370	214,661,370	214,661,378
Due from a subsidiary	–	–	–	9,430
	214,661,370	214,661,370	214,661,370	214,670,808

The amount due from a subsidiary is unsecured, non-interest-bearing and has no specific term of repayment. The carrying amount of the amount due from a subsidiary approximates to its fair value.

Particulars of the subsidiaries as at 30 June 2007 are as follows:

Name	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity directly attributable to Winwise	Principal activity
The Macau Chinese Bank Limited	Macau	MOP180,000,000	85%	Banking
Discovery Planet Limited	British Virgin Islands	USD1	100%	Investment holding

The summarised financial information of the subsidiaries disclosed pursuant to paragraph 18(4) of Schedule 10 of the Hong Kong Companies Ordinance are as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Post-acquisition profit not dealt with in Winwise's Financial Information:				
Balance at beginning of year	8,559,891	13,513,057	19,309,196	26,452,428
Profit for the year/period	4,953,166	5,796,139	7,143,232	3,298,632
Balance at end of year/period	13,513,057	19,309,196	26,452,428	29,751,060
Post-acquisition results dealt with in Winwise's Financial Information:				
Balance at beginning and end of year/period	–	–	–	–

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

10. SHARE CAPITAL

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Authorised:				
10,000 ordinary shares of HK$1 each	10,000	10,000	10,000	10,000
Issued and fully paid:				
100 (2006: 100; 2005: 2; 2004:2) ordinary shares of HK$1 each	2	2	100	100

On 12 September 2006, 98 ordinary shares of HK$1 each were issued at par to its existing shareholder.

11. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, non-interest-bearing and has no specific terms of repayment. The carrying amount of the amount due approximates to its fair value.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Winwise's principal financial instruments comprise amount due to the immediate holding company. The main purpose of these financial instruments is to raise finance for Winwise's operations.

The main risks arising from Winwise's financial instruments are foreign currency risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Foreign currency risk

Winwise has transactional currency exposures. Such exposures arise from insignificant part of its operating expenses in currencies other than Winwise's functional currency. Winwise's exposure to foreign currency risks is minimal.

Liquidity risk

Winwise's objective is to ensure adequate funds to meet commitment associates with its financial liability. Cash flows are closely monitored on an ongoing basis. As further detailed in Note 2, the immediate holding company has agreed to provide adequate funds for Winwise to meet its liabilities as and when they fall due and not to demand repayment of the amount due to it until such time as Winwise is in a position to repay the amount without prejudicing its ability to continue as a going concern.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Winwise in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from DPL's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

17 November 2007

The Board of Directors
Discovery Planet Limited

Dear Sirs,

We set out below our report on the financial information regarding Discovery Planet Limited ("DPL"), for the period from 18 January 2006 (date of incorporation) to 31 December 2006 and the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of Value Convergence Holdings Limited ("VC") dated 17 November 2007 (the "Circular") in connection with the proposed acquisition of DPL by VC.

DPL was incorporated in the British Virgin Islands on 18 January 2006. On 8 January 2007, DPL alloted one ordinary share of USD1 to Winwise Holdings Limited ("Winwise") at par. The principal activity of DPL is investment holding.

We have acted as auditors of DPL for the Relevant Periods. DPL's financial statements for the Relevant Periods were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The income statements and statement of changes in equity of DPL for the Relevant Periods, the balance sheets of DPL as at 31 December 2006 and 30 June 2007, together with the notes thereto set out in this report (collectively the "Financial Information"), have been prepared and presented on the basis set out in Note 3.1 of the Financial Information below.

For the purpose of this report, we have examined the Financial Information of DPL for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, the Financial Information for the period from 18 January 2006 (date of incorporation) to 30 June 2006, for which the directors are responsible, has been reviewed to our satisfaction in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. This standard requires that the auditors plan and perform the review to obtain moderate assurance as to whether the Financial Information for the period from 18 January 2006 (date of incorporation) to 30 June 2006 are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information for the period from 18 January 2006 (date of incorporation) to 30 June 2006.

The directors of DPL are responsible for the preparation of the Financial Information. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied. It is our responsibility to form an independent opinion on the Financial Information in respect of the Relevant Periods and a review conclusion on the Financial Information for the period from 18 January 2006 (date of incorporation) to 30 June 2006 and to report our opinion solely to you. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in Note 3.1 of the Financial Information, gives a true and fair view of the state of affairs of DPL as at 31 December 2006 and 30 June 2007 and of the results of DPL for the Relevant Periods.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of DPL for the period from 18 January 2006 (date of incorporation) to 30 June 2006 are not presented fairly, in all material respects, in accordance with HKFRSs.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

	Note	From 18 January 2006 (date of incorporation) to 31 December 2006	From 18 January 2006 (date of incorporation) to 30 June 2006	Six months ended 30 June 2007
		HK$	*HK$*	*HK$*
			(Unaudited)	
ADMINISTRATIVE EXPENSES AND LOSS FOR THE YEAR/PERIOD	6	–	–	(9,438)

BALANCE SHEETS

	Notes	As at 31 December 2006	As at 30 June 2007
		HK$	*HK$*
CURRENT LIABILITY			
Due to the immediate holding company	9	–	9,430
DEFICIENCY IN ASSETS			
Issued capital	8	–	8
Accumulated losses		–	(9,438)
		–	(9,430)

I. FINANCIAL INFORMATION *(continued)*

STATEMENTS OF CHANGES IN EQUITY

	Note	**Issued capital** *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
On incorporation and at 31 December 2006 and 1 January 2007	8	–	–	–
Issue of shares on 8 January 2007	8	8	–	8
Loss for the period		–	(9,438)	(9,438)
At 30 June 2007		8	(9,438)	(9,430)

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

DPL is a limited liability company incorporated in the British Virgin Islands on 18 January 2006. The registered office of DPL is located at 3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands, the office of Caribbean Corporate Services Limited.

The principal activity of DPL is investment holding.

During the Relevant Periods, there were no significant changes in the principal activity of DPL.

On 8 January 2007, DPL allotted one ordinary share of USD1 to Winwise Holdings Limited ("Winwise"), a company incorporated in Hong Kong, at par and DPL became a wholly-owned subsidiary of Winwise. In the opinion of the directors, the ultimate holding company of DPL is Lippo Cayman Limited, which is incorporated in the Cayman Islands.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Financial Information have been prepared under the going concern basis notwithstanding the deficiency in assets at 31 December 2006 and 30 June 2007 because an intermediate holding company, Hong Kong Chinese Limited, has agreed to provide adequate funds for DPL to meet its liabilities as and when they fall due and not to demand repayment of the amount due to it until such time as DPL is in a position to repay the amount without prejudicing its ability to continue as a going concern.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs, which comprise standards and interpretations issued by the HKICPA. DPL has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HKAS 23 (Revised)	Borrowing Costs

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of DPL, the products and services provided by the segments, the geographical areas in which DPL operates, and revenues from DPL's major customers. This standard will supersede HKAS 14 "Segment Reporting".

The HK(IFRIC)-Int 11, 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

DPL has not early adopted these new HKFRSs in the Financial Information for the period ended 30 June 2007. DPL has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3.2 BASIS OF MEASUREMENT

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollar ("HK$"), which is also DPL's functional and presentation currency.

Cash flow statements have not been presented as all DPL's transactions during the Relevant Periods were settled by DPL's immediate holding company on its behalf and DPL does not operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the Relevant Periods. Accordingly, in the opinion of the directors, the presentation of cash flow statements would provide no additional useful information to the users of the Financial Information.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Related parties

A party is considered to be related to DPL if:

a. the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, DPL; (ii) has an interest in DPL that gives it significant influence over DPL; or (iii) has joint control over DPL;

b. the party is a member of the key management personnel of DPL or its parent;

c. the party is a close member of the family of any individual referred to in (a) or (b); or

d. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred in (b) or (c).

(ii) Financial instruments

Financial liability

DPL's financial liability includes an amount due to the immediate holding company. Financial liability is recognised when DPL becomes a party to the contractual provisions of the instrument.

Financial liability is initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that the taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. REVENUE

DPL did not generate any revenue during the Relevant Periods.

I. FINANCIAL INFORMATION *(continued)*

NOTES TO FINANCIAL INFORMATION *(continued)*

6. LOSS FOR THE YEAR/PERIOD

Auditors' remuneration were borne by an intermediate holding company during the Relevant Periods.

None of the directors received any remuneration in respect of their services rendered to DPL during the Relevant Periods.

7. TAX

No provision for Hong Kong profits tax has been made as DPL did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

There was no unprovided deferred tax in respect of the of years/periods and as at the balance sheet dates.

8. SHARE CAPITAL

	As at 31 December 2006 *HK$*	**As at 30 June 2007** *HK$*
Authorised:		
50,000 ordinary shares of USD1 each	390,000	390,000
Issued and fully paid:		
1 ordinary share of USD1 each	–	8

On incorporation, the authorised share capital of DPL was USD50,000 divided into 50,000 ordinary shares of USD1 each. On 8 January 2007, one ordinary share of USD1 was allotted to Winwise at par.

9. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, non-interest-bearing and has no specific terms of repayment. The carrying amount of the amount due to the immediate holding company approximates to its fair value.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DPL's principal financial instruments comprise amount due to the immediate holding company. The main purpose of these financial instruments is to raise finance for DPL's operations.

The main risks arising from DPL's financial instruments is liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Liquidity risk

DPL's objective is to ensure adequate funds to meet commitment associates with its financial liability. Cash flows are closely monitored on an ongoing basis. As further detailed in Note 2, the immediate holding company has agreed to provide adequate funds for DPL to meet its liabilities as and when they fall due and not to demand repayment of the amount due to it until such time as DPL is in a position to repay the amount without prejudicing its ability to continue as a going concern.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by DPL in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from MCB's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

17 November 2007

The Board of Directors
The Macau Chinese Bank Limited

Dear Sirs,

We set out below our report on the financial information regarding The Macau Chinese Bank Limited (the "Bank"), for each of the three years ended 31 December 2006 and the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of Value Convergence Holdings Limited ("VC") dated 17 November 2007 (the "Circular") in connection with the proposed acquisition of the Bank by VC.

The Bank was incorporated in Macau on 29 May 1995. The principal activities of the Bank are the provision of banking, financial and other related services in Macau, under the regulations of the Autoridade Monetaria de Macau (the "AMCM").

We have acted as auditors of the Bank for the Relevant Periods. The Bank's financial statements for the Relevant Periods were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

The income statements, statement of changes in equity and cash flow statements of the Bank for the Relevant Periods, the balance sheets of the Bank as at 31 December 2004, 2005 and 2006, and 30 June 2007, together with the notes thereto set out in this report (collectively the "Financial Information"), have been prepared based on the audited financial statements of the Bank after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular, and are presented on the basis set out in Note 2.1 of the Financial Information below.

For the purpose of this report, we have examined the Financial Information of the Bank for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of this report, the Financial Information for the six months ended 30 June 2006, for which the directors are responsible, has been reviewed to our satisfaction in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors plan and perform the review to obtain moderate assurance as to whether the Financial Information for the six months ended 30 June 2006 are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information for the six months ended 30 June 2006.

The directors of the Bank are responsible for the preparation of the Financial Information. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied. It is our responsibility to form an independent opinion on the Financial Information in respect of the Relevant Periods and a review conclusion on the Financial Information for the six months ended 30 June 2006 and to report our opinion solely to you. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in Note 2.1 of the Financial Information, gives a true and fair view of the state of affairs of the Bank as at 31 December 2004, 2005, 2006 and 30 June 2007 and of the results and cash flows of the Bank for the Relevant Periods.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of the Bank for the six months ended 30 June 2006 are not presented fairly, in all material respects, in accordance with IFRSs.

I. FINANCIAL INFORMATION

Income Statements

	Notes	Year ended 31 December 2004 MOP	2005 MOP	2006 MOP	Six months ended 30 June 2006 MOP (Unaudited)	2007 MOP
INTEREST INCOME	5	11,594,509	16,208,208	26,850,703	12,270,379	13,748,972
INTEREST EXPENSE		(1,832,054)	(2,123,591)	(6,309,732)	(2,064,296)	(3,116,328)
		9,762,455	14,084,617	20,540,971	10,206,083	10,632,644
Other operating income, net	6	6,847,286	2,935,381	5,328,325	1,655,958	3,313,770
Operating income		16,609,741	17,019,998	25,869,296	11,862,041	13,946,414
Operating expenses	7	(9,766,783)	(11,857,070)	(16,086,588)	(7,495,285)	(8,840,810)
Operating profit before impairment allowances		6,842,958	5,162,928	9,782,708	4,366,756	5,105,604
Write-back of impairment/ (impairment) against bad and doubtful loans and advances	10	(92,000)	2,206,695	4,319	(12,681)	(337,344)
Recovery of bad debts		777,853	–	–	–	163,953
PROFIT BEFORE TAX		7,528,811	7,369,623	9,787,027	4,354,075	4,932,213
Tax	8	(1,521,332)	(339,739)	(1,123,313)	(510,000)	(920,000)
PROFIT FOR THE YEAR/ PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		6,007,479	7,029,884	8,663,714	3,844,075	4,012,213

I. FINANCIAL INFORMATION *(continued)*

Balance Sheets

	Notes	As at 31 December 2004 MOP	As at 31 December 2005 MOP	As at 31 December 2006 MOP	As at 30 June 2007 MOP
ASSETS					
Cash on hand and balances with banks	9	45,850,285	17,311,760	22,309,256	28,299,067
Deposits with monetary authority	9	24,500,000	16,000,000	201,000,000	14,000,000
Placements with other banks	9	16,152,524	33,101,313	45,720,451	110,799,386
Loans and advances to customers	10	152,506,772	182,206,063	192,265,387	161,600,708
Receivables and other assets	11	20,345,198	6,367,036	9,775,566	10,085,878
Securities measured at fair value through profit or loss	12	21,491,389	19,882,117	9,335,880	9,186,593
Available-for-sale securities	13	3,945,708	8,699,789	8,720,266	9,166,266
Held-to-maturity security	14	9,941,412	9,900,727	9,878,256	9,910,751
Property, plant and equipment	15	27,084,969	35,399,181	34,051,022	33,229,839
Total assets		321,818,257	328,867,986	533,056,084	386,278,488
LIABILITIES					
Deposits from customers	16	121,278,918	120,841,535	314,970,565	163,585,682
Payables and other liabilities	17	2,554,375	2,943,403	3,612,361	2,841,435
Tax payable		1,128,000	442,081	1,148,000	1,768,000
Deferred tax liabilities		–	136,636	136,636	436,636
Total liabilities		124,961,293	124,363,655	319,867,562	168,631,753
EQUITY					
Issued capital	18	180,000,000	180,000,000	180,000,000	180,000,000
Legal reserve	19	4,743,800	5,933,500	7,056,000	8,766,000
Investment revaluation reserve		(59,042)	558,441	578,918	1,024,918
Retained profits		12,172,206	18,012,390	25,553,604	27,855,817
		196,856,964	204,504,331	213,188,522	217,646,735
Total equity and liabilities		321,818,257	328,867,986	533,056,084	386,278,488

I. FINANCIAL INFORMATION *(continued)*

Statements of Changes in Equity

	Notes	Issued capital *MOP*	Legal reserve *MOP*	Investment revaluation reserve *MOP*	Retained profits *MOP*	Total *MOP*
At 1 January 2004		150,000,000	3,277,800	–	7,630,727	160,908,527
Changes in fair value of an available-for-sale security and total expense recognised directly in equity	13	–	–	(59,042)	–	(59,042)
Profit for the year		–	–	–	6,007,479	6,007,479
Total income and expense for the year		–	–	(59,042)	6,007,479	5,948,437
Issue of shares	18	30,000,000	–	–	–	30,000,000
Transfer to legal reserve	19	–	1,466,000	–	(1,466,000)	–
At 31 December 2004 and 1 January 2005		180,000,000	4,743,800	(59,042)	12,172,206	196,856,964
Changes in fair value of available-for-sale securities and total income recognised directly in equity	13	–	–	617,483	–	617,483
Profit for the year		–	–	–	7,029,884	7,029,884
Total income and expense for the year		–	–	617,483	7,209,884	7,647,367
Transfer to legal reserve	19	–	1,189,700	–	(1,189,700)	–
At 31 December 2005		180,000,000	5,933,500	558,441	18,012,390	204,504,331

I. FINANCIAL INFORMATION *(continued)*

Statements of Changes in Equity *(continued)*

	Notes	Issued capital MOP	Legal reserve MOP	Investment revaluation reserve MOP	Retained profits MOP	Total MOP
At 1 January 2006		180,000,000	5,933,500	558,441	18,012,390	204,504,331
Changes in fair value of available-for-sale securities and total income recognised directly in equity	13	–	–	20,477	–	20,477
Profit for the year		–	–	–	8,663,714	8,663,714
Total income and expense for the year		–	–	20,477	8,663,714	8,684,191
Transfer to legal reserve	19	–	1,122,500	–	(1,122,500)	–
At 31 December 2006 and 1 January 2007		180,000,000	7,056,000	578,918	25,553,604	213,188,522
Changes in fair value of available-for-sale securities and total income recognised directly in equity	13	–	–	446,000	–	446,000
Profit for the period		–	–	–	4,012,213	4,012,213
Total income and expense for the period		–	–	446,000	4,012,213	4,458,213
Transfer to legal reserve	19	–	1,710,000	–	(1,710,000)	–
At 30 June 2007		180,000,000	8,766,000	1,024,918	27,855,817	217,646,735

In order to comply with the requirements of the AMCM to maintain impairment allowances in excess of the Bank's collective impairment allowances required under International Financial Reporting Standards, retained profits of MOP1,692,378, MOP1,418,000, MOP1,533,000 and MOP1,533,000 are earmarked as a regulatory reserve as at 31 December 2004, 2005, 2006 and 30 June 2007, respectively.

I. FINANCIAL INFORMATION *(continued)*

Cash Flow Statements

	Notes	Year ended 31 December 2004 MOP	2005 MOP	2006 MOP	Six months ended 30 June 2006 MOP (Unaudited)	2007 MOP
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		7,528,811	7,369,623	9,787,027	4,354,075	4,932,213
Adjustments for:						
Dividend income	6	(271,597)	(220,364)	(330,894)	(166,507)	(104,675)
Gain on disposal of an available-for-sale security	6	–	(252,165)	–	–	–
Depreciation	7	809,190	1,090,900	2,201,295	1,096,555	1,174,473
Write-back of impairment/ (Impairment) against bad and doubtful loans and advances	10	92,000	(2,206,695)	(4,319)	12,681	337,344
		8,158,404	5,781,299	11,653,109	5,296,804	6,339,355
Decrease/(Increase) in loans and advances to customers		3,681,947	(27,492,596)	(10,055,005)	(5,376,817)	30,327,335
Decrease/(Increase) in receivables and other assets		(15,719,800)	13,978,162	(3,408,530)	(86,829)	(310,312)
Decrease/(Increase) in securities measured at fair value through profit or loss		(7,423,716)	1,609,272	10,546,237	3,168,277	149,287
Decrease/(Increase) in held-to-maturity securities		29,376	40,685	22,471	(15,991)	(32,495)
Increase/(Decrease) in deposits from customers		(565,618,352)	(437,383)	194,129,030	67,400,091	(151,384,883)
Increase/(Decrease) in payables and other liabilities		(3,507,581)	389,028	668,958	529,849	(770,926)
Net cash generated/(used in) from operation		(580,399,722)	(6,131,533)	203,556,270	70,915,384	(115,682,639)
Income tax paid		(1,763,570)	(889,022)	(417,394)	–	–
Net cash generated/(used in) from operating activities		(582,163,292)	(7,020,555)	203,138,876	70,915,384	(115,682,639)

I. FINANCIAL INFORMATION *(continued)*

Cash Flow Statements *(continued)*

	Notes	Year ended 31 December 2004	2005	2006	Six months ended 30 June 2006	2007
		MOP	*MOP*	*MOP*	*MOP* (Unaudited)	*MOP*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of available-for-sale securities		(4,004,750)	(4,911,335)	–	–	–
Proceed from disposal of an available-for-sale security		–	1,026,902	–	–	–
Purchases of property, plant and equipment	15	–	(9,405,112)	(853,136)	–	(353,290)
Dividend received	6	271,597	220,364	330,894	166,507	104,675
Net cash used in investing activities		(3,733,153)	(13,069,181)	(522,242)	166,507	(248,615)
CASH FLOWS FROM A FINANCING ACTIVITY						
Issue of shares and net cash generated from a financing activity		30,000,000	–	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(555,896,445)	(20,089,736)	202,616,634	71,081,891	(115,931,254)
Cash and cash equivalents at beginning of year/period		642,399,254	86,502,809	66,413,073	66,413,073	269,027,707
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		86,502,809	66,413,073	269,029,707	137,494,964	153,098,453
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	9					
Cash on hand and balances with banks		45,850,285	17,311,760	22,309,256	23,862,647	28,299,067
Deposits with monetary authority with original maturity within three months		24,500,000	16,000,000	201,000,000	78,000,000	14,000,000
Placements with other banks with original maturity within three months		16,152,524	33,101,313	45,720,451	35,632,317	110,799,386
		86,502,809	66,413,073	269,029,707	137,494,964	153,098,453

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information

1. CORPORATE INFORMATION

The Bank was incorporated in Macau on 29 May 1995. The registered office of the Bank is located at Avenida da Praia Grande, No. 101, Macau.

The principal activities of the Bank are the provision of banking, financial and other related services in Macau, under the regulations of the AMCM.

During the Relevant Periods, there were no significant changes in the principal activities of the Bank.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations promulgated by the IASB. The Bank has not early applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IAS 23 (Revised)	Borrowing Costs

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Bank, the products and services provided by the segments, the geographical areas in which the Bank operates, and revenues from the Bank's major customers. This standard will supersede IAS 14 "Segment Reporting".

The IFRIC 11, 12 and IAS 23 (Revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

The Bank has not early adopted these new IFRSs in the financial statements for the period ended 30 June 2007. The Bank has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a significant impact on its results of operations and financial position.

2.2 BASIS OF MEASUREMENT

The Financial Information has been prepared under the historical cost convention, except for certain securities measured at fair value through profit or loss and available-for-sale securities which have been measured at fair values, as further explained in respective accounting policies below. The Financial Information is presented in Patacas ("MOP").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of non-financial assets *(continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(ii) Related parties

A party is considered to be related to the Bank if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Bank; (ii) has an interest in the Bank that gives it significant influence over the Bank; or (iii) has joint control over the Bank;

(b) the party is a member of the key management personnel of the Bank or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Bank, or of any entity that is a related party of the Bank.

(iii) Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the following estimated useful lives:

Land and building	100 years
Furniture, fixtures and equipment	3 to 10 years
Computer equipment	5 to 8 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(iii) Property, plant and equipment and depreciation *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(iv) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(v) Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either securities measured at fair value through profit or loss, loans and advances to customers, held-to-maturity securities, and available-for-sale securities, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

(a) Securities measured at fair value through profit or loss

Securities measured at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

(b) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and advances to customers are derecognised or impaired, as well as through the amortisation process.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Investments and other financial assets *(continued)*

(c) Held-to-maturity securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity securities when the Bank has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity securities, are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-sale securities

Available-for-sale securities are non-derivative financial assets in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition, available-for-sale securities are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(e) Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

(vi) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and advances to customers or held-to-maturity securities carried at amortised cost has been incurred, the amount of the 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). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(vi) Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost (continued)

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to loans and advances to customers, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Bank will not be able to collect all of the amounts due under the original terms. The carrying amount of the loans and advances to customers is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(c) Available-for-sale securities

If an available-for-sale securities is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(vii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(vii) Derecognition of financial assets *(continued)*

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

(viii) Financial liabilities at amortised cost

Financial liabilities including deposits from customers and payables and other liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(ix) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(x) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(xi) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(xii) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(xii) Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that the taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(xiii) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Bank and when the revenue can be measured reliably, on the following bases:

(a) interest income on loans and advances to customers are recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

(b) fees and commission income are recognised when services are rendered; and

(c) dividend income is recognised when the shareholders' right to receive payment has been established.

(xiv) Retirement benefits scheme

The Bank operates a defined contribution retirement benefits scheme for all of its employees, including key management personnel. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme.

(xv) Foreign currency transactions

These financial statements are presented in MOP, which is the Bank's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgement

In the process of applying the Bank's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Held-to-maturity securities

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances, it is required to reclassify the entire class of held-to-maturity securities to other appropriate classes of financial assets. The investments would then be measured at fair value and not at amortised cost.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet dates, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Impairment allowances on loans and advances to customers

The Bank reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. INTEREST INCOME

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Due from banks	587,854	1,697,624	5,029,521	1,358,658	3,160,196
Interest income on listed investments	1,968,062	3,062,756	2,195,346	1,237,956	795,480
Loans and advances to customers	9,038,593	11,447,828	19,625,836	9,673,765	9,793,296
	11,594,509	16,208,208	26,850,703	12,270,379	13,748,972

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

6. OTHER OPERATING INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Dividend income from unlisted funds	271,597	220,364	330,894	166,507	104,675
Fees and commission income	5,971,940	2,247,228	4,036,531	1,709,875	2,593,610
Gains less losses arising from foreign currency transactions	964,720	178,985	1,168,995	238,398	805,016
Fair value gains/(losses) of securities measured at fair value through profit or loss	(220,920)	50,777	(63,147)	(295,700)	(201,179)
Gains/(losses) on disposal of securities measured at fair value through profit or loss	(110,675)	(14,138)	(144,948)	(163,122)	11,648
Gain on disposal of an available-for-sale security	–	252,165	–	–	–
Others	(29,376)	–	–	–	–
	6,847,286	2,935,381	5,328,325	1,655,958	3,313,770

7. OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Salaries and other staff costs	4,746,425	5,193,556	7,362,742	3,045,048	4,241,373
Pension costs	103,633	141,241	149,513	70,671	80,278
Depreciation *(note 15)*	809,190	1,090,900	2,201,295	1,096,555	1,174,473
Minimum lease payments under operating leases in respect of land and buildings	1,249,153	1,485,736	1,554,321	761,784	922,637
General and administrative expenses	1,225,173	1,811,407	2,585,204	1,268,996	1,262,566
Other operating expenses, net	1,633,209	2,134,230	2,233,513	1,252,231	1,159,483
	9,766,783	11,857,070	16,086,588	7,495,285	8,840,810

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

8. TAX

The Bank's tax charges for the years ended 31 December 2004, 2005 and 2006 and six months ended 30 June 2007 include provisions for Macau complementary tax levies. Macau complementary tax has been provided at the progressive rate of maximum to 12% on the estimated taxable profits for the years ended 31 December 2005 and 2006 and six months ended 30 June 2006 and 2007. For the year ended 31 December 2004, Macau complementary tax has been provided at the rate of 15% on the estimated taxable profits and stamp duty has been provided at 5% on the complementary tax provided.

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Current:					
Provided for the year/period	1,128,000	442,083	1,148,000	510,000	620,000
Underprovision/(Overprovision) of current tax in prior years/periods	393,332	(238,980)	(24,687)	–	–
Deferred	–	136,636	–	–	300,000
Total tax charged for the year/period	1,521,332	339,739	1,123,313	510,000	920,000

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Profit before tax	7,528,811	7,369,623	9,787,027	4,354,075	4,932,213
Tax at the applicable tax rate	1,185,788	867,095	1,157,183	505,229	574,606
Adjustment in respect of current tax of previous period	393,332	(238,980)	(24,687)	–	–
Income not subject to tax	(9,299)	(292,291)	(16,823)	–	–
Expenses not deductible for tax	–	24,717	69,424	30,844	114,556
Others	(48,489)	(20,802)	(61,784)	(26,073)	200,838
Tax charge at the effective rate	1,521,332	339,739	1,123,313	510,000	920,000

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

9. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Cash on hand and balances with banks	45,850,285	17,311,760	22,309,256	28,299,067
Deposits with monetary authority	24,500,000	16,000,000	201,000,000	14,000,000
Placements with other banks	16,152,524	33,101,313	45,720,451	110,799,386
	86,502,809	66,413,073	269,029,707	153,098,453

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Bank, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At 30 June 2007, deposits with monetary authority have effective interest rate ranging from 3.5% to 4.2% (31 December 2006: 3.5% to 4.5%; 31 December 2005: 0.04% to 3.66%; 31 December 2004: 0.01%) per annum. The carrying amounts of the deposits with monetary authority approximate to their fair values.

At 30 June 2007, placements with other banks have effective interest rates of 4.4% (31 December 2006: 4.3%; 31 December 2005: 4.3%; 31 December 2004: 2.3%) per annum. The carrying amounts of the placements with other banks approximate to their fair values.

10. LOANS AND ADVANCES TO CUSTOMERS

At 30 June 2007, the loans and advances to customers have effective interest rates ranging from 6.0% to 12.0% (31 December 2006: 7.5% to 18.0%; 31 December 2005: 4.5% to 18.0%; 31 December 2004: 4.5% to 10.5%) per annum. An analysis of the gross amount of loans and advances to customers based on the usage of the loans and advances to customers is as follows:

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Corporate customers	133,980,745	170,863,021	170,399,586	131,637,466
Individual customers	23,824,722	14,435,042	24,953,482	33,388,267
	157,805,467	185,298,063	195,353,068	165,025,733
Less: Individual impairment allowances	(5,298,695)	(2,570,000)	(2,490,681)	(2,828,025)
Collective impairment allowances	–	(522,000)	(597,000)	(597,000)
Total loans and advances to customers	152,506,772	182,206,063	192,265,387	161,600,708

The carrying amounts of loans and advances to customers approximate to their fair values.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

10. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

Movement of impairment allowances during the year/period is as follows:

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
At beginning of year/period	5,206,695	5,298,695	3,092,000	3,087,681
Individual impairment allowances charged	92,000	2,478,000	12,681	337,344
Collective impairment allowances charged	–	522,000	75,000	–
Impairment allowances released	–	(5,206,695)	(92,000)	–
	92,000	(2,206,695)	(4,319)	337,344
At end of year/period	5,298,695	3,092,000	3,087,681	3,425,025
Gross amount of impaired loans and advances to customers	16,526,000	9,308,311	2,490,681	2,828,025

All the individual impairment allowances were made for corporate customers. Collective impairment allowances were made on collectively assessed loans and advances for both individual and corporate customers.

At 30 June 2007, the collateral that the Bank holds relating to loans and advances to customers consists of cash, securities, letters of guarantee and properties.

11. RECEIVABLES AND OTHER ASSETS

Balance mainly consisted of receivables from brokers, interest receivables and prepayment which are unsecured, non-interest-bearing and have no specific terms of repayment. The carrying amount of the receivables and other assets approximates to their fair values.

12. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Listed debt securities, outside Macau	9,474,608	9,376,955	9,335,880	9,186,593
Listed equity security, outside Macau	4,007,281	–	–	–
Equity linked notes	8,009,500	10,505,162	–	–
	21,491,389	19,882,117	9,335,880	9,186,593

At 30 June 2007, the debt securities have effective interest rates ranging from 6.5% to 8.0% (31 December 2006: 6.5% to 8.0%; 31 December 2005: 7.0% to 13.0%; 31 December 2004: 5.0% to 9.0%) per annum.

The above securities at 30 June 2007 were classified as trading securities.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

13. AVAILABLE-FOR-SALE SECURITIES

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Unlisted funds, at fair value	3,945,708	8,699,789	8,720,266	9,166,266

During the six months ended 30 June 2007, the gross gains of the Bank's available-for-sale securities recognised directly in equity amounted to MOP446,000 (year ended 31 December 2006: MOP20,477; year ended 31 December 2005: MOP617,483; year ended 31 December 2004: gross loss of MOP59,042).

14. HELD-TO-MATURITY SECURITY

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Listed debt security, at amortised cost	9,941,412	9,900,727	9,878,256	9,910,751

At 30 June 2007, the market value of the listed debt security is MOP10,815,873 (31 December 2006: MOP10,752,244; 31 December 2005: MOP11,359,573; 31 December 2004: MOP11,213,192).

At 30 June 2007, the debt security has effective interest rates of 9.0% (31 December 2006: 9.0%; 31 December 2005: 9.0%; 31 December 2004: 9.0%) per annum.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building *MOP*	Furniture, fixtures and equipment *MOP*	Computer equipment *MOP*	Motor vehicles *MOP*	Total *MOP*
31 December 2004					
At 1 January 2004:					
Cost	25,821,792	3,044,035	1,798,398	587,100	31,251,325
Accumulated depreciation	(21,518)	(2,424,825)	(323,723)	(587,100)	(3,357,166)
Net carrying amount	25,800,274	619,210	1,474,675	–	27,894,159
At 1 January 2004, net of accumulated depreciation	25,800,274	619,210	1,474,675	–	27,894,159
Depreciation provided during the year *(note 7)*	(258,218)	(228,019)	(322,953)	–	(809,190)
At 31 December 2004, net of accumulated depreciation	25,542,056	391,191	1,151,722	–	27,084,969
At 31 December 2004:					
Cost	25,821,792	935,268	1,627,994	–	28,385,054
Accumulated depreciation	(279,736)	(544,077)	(476,272)	–	(1,300,085)
Net carrying amount	25,542,056	391,191	1,151,722	–	27,084,969
31 December 2005					
At 31 December 2004 and 1 January 2005:					
Cost	25,821,792	935,268	1,627,994	–	28,385,054
Accumulated depreciation	(279,736)	(544,077)	(476,272)	–	(1,300,085)
Net carrying amount	25,542,056	391,191	1,151,722	–	27,084,969
At 1 January 2005, net of accumulated depreciation	25,542,056	391,191	1,151,722	–	27,084,969
Additions	–	7,324,551	2,080,561	–	9,405,112
Depreciation provided during the year *(note 7)*	(258,218)	(327,119)	(505,563)	–	(1,090,900)
At 31 December 2005, net of accumulated depreciation	25,283,838	7,388,623	2,726,720	–	35,399,181
At 31 December 2005:					
Cost	25,821,792	8,259,819	3,708,555	–	37,790,166
Accumulated depreciation	(537,954)	(871,196)	(981,835)	–	(2,390,985)
Net carrying amount	25,283,838	7,388,623	2,726,720	–	35,399,181

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and building *MOP*	Furniture, fixtures and equipment *MOP*	Computer equipment *MOP*	Motor vehicles *MOP*	Total *MOP*
31 December 2006					
At 31 December 2005 and 1 January 2006:					
Cost	25,821,792	8,259,819	3,708,555	–	37,790,166
Accumulated depreciation	(537,954)	(871,196)	(981,835)	–	(2,390,985)
Net carrying amount	25,283,838	7,388,623	2,726,720	–	35,399,181
At 1 January 2006, net of accumulated depreciation	25,283,838	7,388,623	2,726,720	–	35,399,181
Additions	–	179,080	674,056	–	853,136
Depreciation provided during the year *(note 7)*	(258,218)	(1,239,396)	(703,681)	–	(2,201,295)
At 31 December 2006, net of accumulated depreciation	25,025,620	6,328,307	2,697,095	–	34,051,022
At 31 December 2006:					
Cost	25,821,792	8,438,899	4,382,611	–	38,643,302
Accumulated depreciation	(796,172)	(2,110,592)	(1,685,516)	–	(4,592,280)
Net carrying amount	25,025,620	6,328,307	2,697,095	–	34,051,022
30 June 2007					
At 31 December 2007 and 1 January 2007:					
Cost	25,821,792	8,438,899	4,382,611	–	38,643,302
Accumulated depreciation	(796,172)	(2,110,592)	(1,685,516)	–	(4,592,280)
Net carrying amount	25,025,620	6,328,307	2,697,095	–	34,051,022
At 1 January 2007, net of accumulated depreciation	25,025,620	6,328,307	2,697,095	–	34,051,022
Additions	–	–	–	353,290	353,290
Depreciation provided during the period *(note 7)*	(129,109)	(656,535)	(379,997)	(8,832)	(1,174,473)
At 30 June 2007, net of accumulated depreciation	24,896,511	5,671,772	2,317,098	344,458	33,229,839
At 30 June 2007:					
Cost	25,821,792	8,438,899	4,382,611	353,290	38,996,592
Accumulated depreciation	(925,281)	(2,767,127)	(2,065,513)	(8,832)	(5,766,753)
Net carrying amount	24,896,511	5,671,772	2,317,098	344,458	33,229,839

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

16. DEPOSITS FROM CUSTOMERS

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Current accounts	16,842,006	34,431,339	16,671,275	23,915,080
Saving deposits	3,685,804	8,109,054	23,032,684	40,418,692
Time deposits	100,751,108	78,301,142	275,266,606	99,251,910
	121,278,918	120,841,535	314,970,565	163,585,682

At 30 June 2007, the deposits from customers have effective interest rates ranging from 2.2% to 5.0% (31 December 2006: 2.5% to 5.2%; 31 December 2005: 0.3% to 4.2%; 31 December 2004: 0.1% to 3.8%) per annum.

17. PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are unsecured, non-interest-bearing and generally repayable within one year. The carrying amount of the amount due approximate the their fair values.

18. SHARE CAPITAL

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Authorised:				
5,000,000 shares of MOP100 each	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid:				
1,800,000 shares of MOP100 each	180,000,000	180,000,000	180,000,000	180,000,000

On 5 May 2004, 300,000 new shares were allotted to the existing shareholders on a pro rata basis.

19. LEGAL RESERVE

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
At beginning of year/period	3,277,800	4,743,800	5,933,500	7,056,000
Transfer from retained profits	1,466,000	1,189,700	1,122,500	1,710,000
At end of year/period	4,743,800	5,933,500	7,056,000	8,766,000

Under the terms of Macau banking legislation, the Bank is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of their respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to the Bank's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

20. OPERATING LEASE ARRANGEMENT

The Bank leases its office properties under operating lease arrangements with remaining lease terms of less than one year (31 December 2006: less than two years; 31 December 2005: two years; 31 December 2004: two years). At the balance sheet date, the Bank had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		As at 31 December		As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Within one year	1,384,696	1,302,925	1,559,352	924,672
In the second to fifth years, inclusive	1,397,710	106,296	132,096	–
	2,782,406	1,409,221	1,691,448	924,672

21. CONTINGENT LIABILITIES

		As at 31 December		As at 30 June
	2004	**2005**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*
Guarantees and other endorsements	16,008,047	12,149,424	17,703,161	18,907,202
Liabilities under letters of credit on behalf of customers	14,140,846	18,729,527	12,775,181	3,582,606
	30,148,893	30,878,951	30,478,342	22,489,808

22. RELATED PARTY TRANSACTIONS

(a) At the balance sheet date, the Bank had the following material balances with related parties:

			As at 31 December		As at 30 June
	Notes	**2004**	**2005**	**2006**	**2007**
		MOP	*MOP*	*MOP*	*MOP*
Receivables and other assets:					
A fellow subsidiary	(i)	16,020,560	2,925,438	4,646,929	5,942,474
Members of key management of the Bank	(ii)	226,153	666,797	494,270	845,460
Deposits from customers:	(iii)				
Fellow subsidiaries		103,000	3,284,409	–	–
A related company*		1,727,206	7,885,198	–	–
Director of the Bank		3,089,817	7,492,616	716,613	1,818,527
Members of key management of the Bank		33,974	4,285,726	1,152,390	1,190,578

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

22. RELATED PARTY TRANSACTIONS *(continued)*

(a) At the balance sheet date, the Bank had the following material balances with related parties: *(continued)*

(i) Balances with a fellow subsidiary were non-interest-bearing and have no specific terms of repayment. The carrying values of the amounts due approximate to their fair values.

(ii) Balances with members of key management of the Bank carried interest at the prevailing market interest rates and have no specific terms of repayment. The carrying values of the amounts due approximate to their fair values.

(iii) Deposits from related parties carried interests at the prevailing market interest rates and have no specific terms of repayment. The carrying values of the amounts due approximate to their fair values.

(b) The Bank had the following material transactions with related parties during the year/period:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Fee and commission income:					
A related company*	3,379,532	–	–	–	–
Director of the Bank	123,248	–	–	–	–
A fellow subsidiary	3,290	–	–	–	–
Interest expense:					
A related company*	–	52,932#	–	–	–

Balance derived from a fixed deposit which was matured during the year ended 31 December 2005 and with annual interest rate of 3.75% per annum.

* The director of the related company was also a director of the Bank.

The directors are of the opinion that these balances and transactions were undertaken on terms similar to those offered to unrelated customers in the ordinary course of business.

(c) Compensation of key management personnel of the Bank:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	MOP	*MOP*	*MOP*	*MOP*	*MOP*
				(Unaudited)	
Short-term employee benefits	1,939,548	2,014,193	2,250,012	1,026,724	1,126,409

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial instruments comprise deposits from customers. The main purpose of this financial instrument is to raise finance for the Bank's operations. The Bank has various financial assets such as loans and advances to customers, receivables and other assets, securities measured at fair value through profit or loss, available-for-sale securities and held-to-maturity security, which arise directly from its operations.

The main risk arising from the Bank's financial instrument are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Risk management

The Bank has risk management policies and guidelines, which set out its overall business strategies and its general risk management philosophy. Such policies are reviewed periodically to ensure that the Bank's policies and guidelines are appropriate and adhered to.

Interest rate risk

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's deposits from customers.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes.

An analysis of the Bank's interest rate sensitivity position, by maturity, is as follows:

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2004 *(MOP'000)*							
Assets							
Cash in hand and balances with banks	–	–	–	–	–	45,850	45,850
Deposits with monetary authority	24,500	–	–	–	–	–	24,500
Placements with other banks	16,153	–	–	–	–	–	16,153
Loans and advances to customers	65,862	27,388	22,240	24,047	12,970	–	152,507
Receivables and other assets	–	–	–	–	–	20,345	20,345
Securities at fair value through profit or loss	–	–	–	8,009	9,475	4,007	21,491
Available-for-sale securities	–	–	–	–	–	3,946	3,946
Held-to-maturity security	–	–	–	–	9,941	–	9,941
Property, plant and equipment	–	–	–	–	–	27,085	27,085
Total assets	106,515	27,388	22,240	32,056	32,386	101,233	321,818
Liabilities							
Deposits from customers	91,932	19,911	9,436	–	–	–	121,279
Payables and other liabilities	–	–	–	–	–	2,554	2,554
Tax payable	–	–	–	–	–	1,128	1,128
Deferred tax liabilities	–	–	–	–	–	–	–
Total liabilities	91,932	19,911	9,436	–	–	3,682	124,961
Net assets	14,583	7,477	12,804	32,056	32,386	97,551	196,857

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2005 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	–	–	–	–	–	17,312	17,312
Deposits with monetary authority	16,000	–	–	–	–	–	16,000
Placements with other banks	33,101	–	–	–	–	–	33,101
Loans and advances to customers	73,913	31,763	45,628	13,033	17,869	–	182,206
Receivables and other assets	–	–	–	–	–	6,367	6,367
Securities at fair value through profit or loss	–	–	7,961	11,921	–	–	19,882
Available-for-sale securities	–	–	–	–	4,680	4,020	8,700
Held-to-maturity security	–	–	–	–	9,901	–	9,901
Property, plant and equipment	–	–	–	–	–	35,399	35,399
Total assets	123,014	31,763	53,589	24,954	32,450	63,098	328,868
Liabilities							
Deposits from customers	87,701	31,596	1,545	–	–	–	120,842
Payables and other liabilities	–	–	–	–	–	2,943	2,943
Tax payable	–	–	–	–	–	442	442
Deferred tax liabilities	–	–	–	–	–	137	137
Total liabilities	87,701	31,596	1,545	–	–	3,522	124,364
Net assets	35,313	167	52,044	24,954	32,450	59,576	204,504

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2006 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	–	–	–	–	–	22,309	22,309
Deposits with monetary authority	201,000	–	–	–	–	–	201,000
Placements with other banks	45,721	–	–	–	–	–	45,721
Loans and advances to customers	83,231	33,117	48,014	11,072	16,831	–	192,265
Receivables and other assets	–	–	–	–	–	9,776	9,776
Securities at fair value through profit or loss	–	–	–	9,336	–	–	9,336
Available-for-sale securities	–	–	–	–	4,691	4,029	8,720
Held-to-maturity security	–	–	–	–	9,878	–	9,878
Property, plant and equipment	–	–	–	–	–	34,051	34,051
Total assets	329,952	33,117	48,014	20,408	31,400	70,165	533,056
Liabilities							
Deposits from customers	111,080	200,472	3,419	–	–	–	314,971
Payables and other liabilities	–	–	–	–	–	3,612	3,612
Tax payable	–	–	–	–	–	1,148	1,148
Deferred tax liabilities	–	–	–	–	–	137	137
Total liabilities	111,080	200,472	3,419	–	–	4,897	319,868
Net assets	218,872	(167,355)	44,595	20,408	31,400	65,268	213,188

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	Non interest bearing	Total
At 30 June 2007 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	–	–	–	–	–	28,299	28,299
Deposits with monetary authority	14,000	–	–	–	–	–	14,000
Placements with other banks	110,799	–	–	–	–	–	110,799
Loans and advances to customers	88,711	30,965	17,221	12,519	12,185	–	161,601
Receivables and other assets	–	–	–	–	–	10,086	10,086
Securities at fair value through profit or loss	–	–	–	9,186	–	–	9,186
Available-for-sale securities	–	–	–	–	4,848	4,318	9,166
Held-to-maturity security	–	–	–	–	9,911	–	9,911
Property, plant and equipment	–	–	–	–	–	33,230	33,230
Total assets	213,510	30,965	17,221	21,705	26,944	75,933	386,278
Liabilities							
Deposits from customers	135,641	22,961	4,983	–	–	–	163,585
Payables and other liabilities	–	–	–	–	–	2,841	2,841
Tax payables	–	–	–	–	–	1,768	1,768
Deferred tax liabilities	–	–	–	–	–	437	437
Total liabilities	135,641	22,961	4,983	–	–	5,046	168,631
Net assets	77,869	8,004	12,238	21,705	26,944	70,887	217,647

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Bank takes on exposure to control mismatching of the maturities of the Bank's assets and liabilities.

An analysis of the liquidity of the Bank's assets and liabilities is as follows:

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	No specific maturity	Total
At 31 December 2004 *(MOP'000)*							
Assets							
Cash in hand and balances with banks	45,850	–	–	–	–	–	45,850
Deposits with monetary authority	24,500	–	–	–	–	–	24,500
Placements with other banks	16,153	–	–	–	–	–	16,153
Loans and advances to customers	65,862	27,388	22,240	24,047	12,970	–	152,507
Receivables and other assets	16,173	–	–	–	–	4,172	20,345
Securities at fair value through profit or loss	–	–	–	–	–	21,491	21,491
Available-for-sale securities	–	–	–	–	–	3,946	3,946
Held-to-maturity security	–	–	–	–	9,941	–	9,941
Property, plant and equipment	–	–	–	–	–	27,085	27,085
Total assets	168,538	27,388	22,240	24,047	22,911	56,694	321,818
Liabilities							
Deposits from customers	91,932	19,911	9,436	–	–	–	121,279
Payables and other liabilities	307	–	759	–	–	1,488	2,554
Tax payable	–	–	1,128	–	–	–	1,128
Deferred tax liabilities	–	–	–	–	–	–	–
Total liabilities	92,239	19,911	11,323	–	–	1,488	124,961
Net assets	76,299	7,477	10,917	24,047	22,911	55,206	196,857

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	No specific maturity	Total
At 31 December 2005 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	17,312	–	–	–	–	–	17,312
Deposits with monetary authority	16,000	–	–	–	–	–	16,000
Placements with other banks	33,101	–	–	–	–	–	33,101
Loans and advances to customers	73,913	31,763	45,628	13,033	17,869	–	182,206
Receivables and other assets	3,618	–	–	–	–	2,749	6,367
Securities at fair value through profit or loss	–	–	7,961	11,921	–	–	19,882
Available-for-sale securities	–	–	–	–	4,680	4,020	8,700
Held-to-maturity security	–	–	–	–	9,901	–	9,901
Property, plant and equipment	–	–	–	–	–	35,399	35,399
Total assets	143,944	31,763	53,589	24,954	32,450	42,168	328,868
Liabilities							
Deposits from customers	87,701	31,596	1,545	–	–	–	120,842
Payables and other liabilities	2,039	–	479	–	–	425	2,943
Tax payable	–	–	442	–	–	–	442
Deferred tax liabilities	–	–	–	–	–	137	137
Total liabilities	89,740	31,596	2,466	–	–	562	124,364
Net assets	54,204	167	51,123	24,954	32,450	41,606	204,504

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	No specific maturity	Total
At 31 December 2006 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	22,309	–	–	–	–	–	22,309
Deposits with monetary authority	201,000	–	–	–	–	–	201,000
Placements with other banks	45,721	–	–	–	–	–	45,721
Loans and advances to customers	83,231	33,117	48,014	11,072	16,831	–	192,265
Receivables and other assets	–	–	–	–	–	9,776	9,776
Securities at fair value through profit or loss	–	–	–	9,336	–	–	9,336
Available-for-sale securities	–	–	–	–	4,691	4,029	8,720
Held-to-maturity security	–	–	–	–	9,878	–	9,878
Property, plant and equipment	–	–	–	–	–	34,051	34,051
Total assets	352,261	33,117	48,014	20,408	31,400	47,856	533,056
Liabilities							
Deposits from customers	111,080	200,472	3,419	–	–	–	314,971
Payables and other liabilities	3,320	–	105	–	–	187	3,612
Tax payable	–	–	1,148	–	–	–	1,148
Deferred tax liabilities	–	–	–	–	–	137	137
Total liabilities	114,400	200,472	4,672	–	–	324	319,868
Net assets	237,861	(167,355)	43,342	20,408	31,400	47,532	213,188

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Up to 1 month	2-3 months inclusive	4-12 months inclusive	More than 1 year and up to 5 years	Over 5 years	No specific maturity	Total
At 30 June 2007 *(MOP'000)*							
Assets							
Cash on hand and balances with banks	28,299	–	–	–	–	–	28,299
Deposits with monetary authority	14,000	–	–	–	–	–	14,000
Placements with other banks	110,799	–	–	–	–	–	110,799
Loans and advances to customers	88,711	30,965	17,221	12,519	12,185	–	161,601
Receivables and other assets	–	–	–	–	–	10,086	10,086
Securities at fair value through profit or loss	–	–	–	9,186	–	–	9,186
Available-for-sale securities	–	–	–	–	4,848	4,318	9,166
Held-to-maturity security	–	–	–	–	9,911	–	9,911
Property, plant and equipment	–	–	–	–	–	33,230	33,230
Total assets	241,809	30,965	17,221	21,705	26,944	47,634	386,278
Liabilities							
Deposits from customers	135,641	22,961	4,983	–	–	–	163,585
Payables and other liabilities	511	–	2,132	–	–	198	2,841
Tax payable	–	–	1,768	–	–	–	1,768
Deferred tax liabilities	–	–	–	–	–	437	437
Total liabilities	136,152	22,961	8,883	–	–	635	168,631
Net assets	105,657	8,004	8,338	21,705	26,944	46,999	217,647

Capital management

The primary objective of the Bank's capital management is to maintains a strong capital base to support its business and to meet the regulatory capital requirement.

The Bank manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Under the terms of Macau banking legislation, the Bank is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of their respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to the Bank's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Bank monitors solvency ratio under the requirement of the AMCM and to keep the ratio at not less than 8% throughout the Relevant Periods.

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Bank takes on exposure to effects of fluctuation in the prevailing foreign currency exchange rates on its financial positions and cash flows.

An analysis of the currency concentration of the assets and liabilities of the Bank is as follows:

	MOP	HKD	USD	EUR	Others	Total
At 31 December 2004 *(MOP'000)*						
Assets						
Cash in hand and balances with banks	9,990	12,493	21,486	1,594	287	45,850
Deposits with monetary authority	24,500	–	–	–	–	24,500
Placements with other banks	–	–	16,153	–	–	16,153
Loans and advances to customers	31,228	117,006	4,273	–	–	152,507
Receivables and other assets	2,152	17,456	737	–	–	20,345
Securities at fair value through profit or loss	–	3,225	17,483	–	783	21,491
Available-for-sale securities	–	–	3,946	–	–	3,946
Held-to-maturity security	–	–	9,941	–	–	9,941
Property, plant and equipment	27,085	–	–	–	–	27,085
Total assets	94,955	150,180	74,019	1,594	1,070	321,818
Liabilities						
Deposits from customers	31,076	75,817	12,141	2,245	–	121,279
Payables and other liabilities	2,241	308	4	1	–	2,554
Tax payable	1,128	–	–	–	–	1,128
Deferred tax liabilities	–	–	–	–	–	–
Total liabilities	34,445	76,125	12,145	2,246	–	124,961
Net assets	60,510	74,055	61,874	(652)	1,070	196,857
At 31 December 2005 *(MOP'000)*						
Assets						
Cash in hand and balances with banks	10,164	4,308	1,231	1,220	389	17,312
Deposits with monetary authority	16,000	–	–	–	–	16,000
Placements with other banks	–	–	33,101	–	–	33,101
Loans and advances to customers	31,492	145,291	4,659	764	–	182,206
Receivables and other assets	763	4,164	1,440	–	–	6,367
Securities at fair value through profit or loss	–	–	19,882	–	–	19,882
Available-for-sale securities	–	–	8,700	–	–	8,700
Held-to-maturity security	–	–	9,901	–	–	9,901
Property, plant and equipment	35,399	–	–	–	–	35,399
Total assets	93,818	153,763	78,914	1,984	389	328,868
Liabilities						
Deposits from customers	24,936	75,631	19,802	473	–	120,842
Payables and other liabilities	2,163	755	25	–	–	2,943
Tax payable	442	–	–	–	–	442
Deferred tax liabilities	137	–	–	–	–	137
Total liabilities	27,678	76,386	19,827	473	–	124,364
Net assets	66,140	77,377	59,087	1,511	389	204,504

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	MOP	HKD	USD	EUR	Others	Total
At 31 December 2006 *(MOP'000)*						
Assets						
Cash on hand and balances with banks	10,669	6,851	1,990	2,582	217	22,309
Deposits with monetary authority	201,000	–	–	–	–	201,000
Placements with other banks	–	1,030	44,691	–	–	45,721
Loans and advances to customers	24,511	164,692	1,771	1,291	–	192,265
Receivables and other assets	2,442	6,586	748	–	–	9,776
Securities at fair value through profit or loss	–	–	9,336	–	–	9,336
Available-for-sale securities	–	–	8,720	–	–	8,720
Held-to-maturity security	–	–	9,878	–	–	9,878
Property, plant and equipment	34,051	–	–	–	–	34,051
Total assets	272,673	179,159	77,134	3,873	217	533,056
Liabilities						
Deposits from customers	212,525	99,108	3,000	338	–	314,971
Payables and other liabilities	2,789	800	23	–	–	3,612
Tax payable	1,148	–	–	–	–	1,148
Deferred tax liabilities	137	–	–	–	–	137
Total liabilities	216,599	99,908	3,023	338	–	319,868
Net assets	56,074	79,251	74,111	3,535	217	213,188
At 30 June 2007 *(MOP'000)*						
Assets						
Cash on hand and balances with banks	10,815	10,771	2,847	3,597	269	28,299
Deposits with monetary authority	14,000	–	–	–	–	14,000
Placements with other banks	–	52,530	58,269	–	–	110,799
Loans and advances to customers	22,931	131,600	4,505	2,565	–	161,601
Receivables and other assets	1,762	8,147	169	8	–	10,086
Securities at fair value through profit or loss	–	–	9,186	–	–	9,186
Available-for-sale securities	–	–	9,166	–	–	9,166
Held-to-maturity security	–	–	9,911	–	–	9,911
Property, plant and equipment	33,230	–	–	–	–	33,230
Total assets	82,738	203,048	94,053	6,170	269	386,278
Liabilities						
Deposits from customers	43,167	106,424	13,642	352	–	163,585
Payables and other liabilities	2,048	573	219	1	–	2,841
Tax payable	1,768	–	–	–	–	1,768
Deferred tax liabilities	437	–	–	–	–	437
Total liabilities	47,420	106,997	13,861	353	–	168,631
Net assets	35,318	96,051	80,192	5,817	269	217,647

I. FINANCIAL INFORMATION *(continued)*

Notes to Financial Information *(continued)*

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Bank's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as at 30 June 2007, in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The Bank established written credit policy which covers authority of granting facility limits, credit review, maintenance of collaterals and provisioning. All facilities are approved by credit committee. Credit review is performed regularly and at least once per year. All credit review are performed by marketing officer, reviewed by executive secretary and approved by credit committee in accordance with their respective limits. All pledged properties are required to be valued by an independent qualified valuers.

Fair value

As at 30 June 2007, the fair values of the Bank's financial assets and liabilities are not materially different from their carrying amounts.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The unaudited pro forma statement of assets and liabilities of the Group presented below has been prepared based on the latest published consolidated balance sheet of the Group as at 30 June 2007 (the "Reporting Date") and adjusted to illustrate the effect of the Transaction.

For the purpose of presenting the unaudited pro forma statement of assets and liabilities of the Group as at the Reporting Date, it has been assumed that the Transaction took place on the Reporting Date.

The unaudited pro forma balance sheet has been prepared for illustrative purposes only and may not give a true picture of the financial position of the Group as at the Reporting Date or at any future dates.

	The Group as at June 30, 2007	Winwise Holdings Limited as at June 30, 2007	Discovery Planet Limited as at June 30, 2007	The Macau Chinese Bank as at June 30, 2007	Pro forma adjustments relating to the acquisition	*Notes*	Subtotal	Pro forma adjustments the relating to consolidation	*Notes*	Pro Forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1(a))	*(Note 1(b))*	*(Note 1(c))*	*(Note 1(d))*						
	(unaudited)									
Non-current assets										
Goodwill	8,151	–	–	–			8,151	238,402	6	246,553
Trading rights	1,520	–	–	–			1,520			1,520
Property, plant and equipment	3,030	–	–	32,262			35,292			35,292
Deferred tax assets	1,100	–	–	–			1,100			1,100
Statutory deposits for investment banking and financial services business	3,262	–	–	–			3,262			3,262
Other intangible assets	547	–	–	–			547			547
	17,610	–	–	32,262	–		49,872	238,402		288,274
Current assets										
Accounts receivable	1,804,934	–	–	–			1,804,934			1,804,934
Investments in subsidiaries	–	214,661	–	–	189,173	3	403,834	(403,834)	5	–
Prepayments, deposits and other receivables	3,493	–	–	9,792			13,285			13,285
Held-to-maturity	–	–	–	9,622			9,622			9,622
Available-for-sale securities	–	–	–	8,900			8,900			8,900
Securities measured at fair value through profit or loss	–	–	–	8,919			8,919			8,919
Loans and advances to customers	–	–	–	156,894			156,894			156,894
Trading investments	16,394	–	–	–			16,394			16,394
Amount due from Discovery Planet Limited	–	9	–	–			9	(9)	7	–
Amounts due from fellow subsidiaries	50	–	–	–			50			50
Placements with other banks	–	–	–	107,572			107,572			107,572
Deposit with monetary authority	–	–	–	13,593			13,593			13,593
Bank balances and cash	53,773	–	–	27,475	(53,773)	3	27,475			27,475
	1,878,644	214,670	–	342,767	135,400		2,571,481	(403,843)		2,167,638

	The Group as at June 30, 2007	Winwise Holdings Limited as at June 30, 2007	Discovery Planet Limited as at June 30, 2007	The Macau Chinese Bank as at June 30, 2007	Pro forma adjustments relating to the acquisition	Notes	Subtotal	Pro forma adjustments the relating to consolidation	Notes	Pro Forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1(a))	*(Note 1(b))*	*(Note 1(c))*	*(Note 1(d))*						
	(unaudited)									
Current liabilities										
Accounts payable	(113,018)	–	–	–			(113,018)			(113,018)
Consideration payable	–	–	–	–	(272,227)	3	(272,227)			(272,227)
Accrued liabilities and other payables	(26,699)	–	–	(2,759)			(29,458)			(29,458)
Deposits from customers	–	–	–	(158,821)			(158,821)			(158,821)
Short-term bank borrowings	(1,264,822)	–	–	–			(1,264,822)			(1,264,822)
Amount due to ultimate holding company	(23,963)	–	–	–			(23,963)			(23,963)
Amount due to a minority shareholder	–	(214,753)	–	–	156,527	3	(58,226)	(45,784)	4	(104,010)
Amount due to Winwise	–	–	(9)	–			(9)	9	7	–
Amounts due to fellow subsidiaries	(12,824)	–	–	–			(12,824)			(12,824)
Loans from ultimate holding company	(241,900)	–	–	–			(241,900)			(241,900)
Deferred tax liability	–	–	–	(424)			(424)			(424)
Taxation payable	(4,519)	–	–	(1,717)			(6,236)			(6,236)
	(1,687,745)	(214,753)	(9)	(163,721)	(115,700)		(2,181,928)	(45,775)		(2,227,703)
Net current assets	190,899	(83)	(9)	179,046	19,700		389,553	(449,618)		(60,065)
Net assets (liabilities)	208,509	(83)	(9)	211,308	19,700		439,425	(211,216)		228,209

Notes:

(1) a. The figures are extracted from the Group's interim report for the six-months ended June 30, 2007 dated August 10, 2007.

b. The figures are extracted from the financial information set out in Appendix II to this circular.

c. The figures are extracted from the financial information set out in Appendix III to this circular.

d. The figures are extracted from the financial information set out in Appendix IV to this circular and translated into HK$ at the exchange rate of MOP1 to HK$0.97.

(2) The acquisition will be financed by the fund raising from share placements. The bank balances and cash amount for the Enlarged Group does not include the cash inflow from the two placements of 50,680,000 shares on July 11, 2007 at HK$2.2 per share and 61,000,000 shares on September 11, 2007 at HK$4.2 per share. Total consideration received net of expense from the two share placements is approximately HK$357,346,000. Respective entries had not been reflected in the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

(3) The Group acquired 60% interest in the Winwise Holdings Limited ("Winwise") which is originally a wholly-owned subsidiary of the Hongkong Chinese Limited ("HKCL"), the minority shareholder of Winwise after the completion of this acquisition. The adjustment represents the investment in Winwise Group with a total consideration of HK$345,700,000, comprising the Sale Shares Consideration of HK$189,173,000, including the estimated professional fees of approximately HK$2,000,000 directly related to this acquisition, and the Sale Loan Consideration of approximately HK$156,527,000. The consideration will be settled in the following manner:

(i) HK$25,000,000 has been paid in cash to a third party escrow agent upon signing of the Agreement;

(ii) HK$19,700,000 will be paid by allotment and issue of 10,000,000 Consideration Shares at Completion (closing market price of HK$1.97 as of June 30, 2007 is used for the purpose of preparing this unaudited pro forma statement of assets and liabilities of the Enlarged Group in accordance with the applicable accounting standards);

(iii) HK$299,000,000 will be paid in cash at Completion; and

(iv) HK$2,000,000 will be paid in cash at Completion.

(4) On July 17, 2007, Mr. Wong Kon Kei (a director of the Macau Chinese Bank "MCB") agreed to sell 15% interest of MCB to Discovery Planet Limited ("DPL") which was the wholly-owned subsidiary of Winwise. The consideration payable by DPL was MOP47.2M (approximately to HK$45,784,000) in cash. The consideration was settled by its ultimate holding company, HKCL, which is reflected in the amount due to a minority shareholder. The management of the Company considered that it was an interlocking transaction for this acquisition.

(5) The adjustment represents the elimination of investments in subsidiaries.

(6) The consideration of the acquisition paid over fair value of the identifiable tangible assets and liabilities of Winwise, DPL and MCB are mainly goodwill and intangible assets. The management considered that the intangible assets primarily include MCB's banking license and customers base and the Group will engage professional valuer to assess the value of these intangible assets at the date of acquisition. For the purpose of preparing this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the management of the Company considered that the value of the intangible assets cannot be reliably measured and hence the whole amount of the aforesaid consideration paid over fair value of the assets and liabilities of Winwise, DPL and MCB are shown as goodwill, assuming that the fair values of the assets and liabilities of Winwise, DPL and MCB approximate to their carrying amounts as at June 30, 2007.

Based on the above assumptions, the goodwill arising from the acquisition of Winwise by the Group was approximately HK$238,402,000.

(7) The adjustment represents the elimination of intercompany balances.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

TO THE DIRECTORS OF VALUE CONVERGENCE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Value Convergence Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 60 shares of HK$1.00 each of Winwise Holdings Limited might have affected the financial information presented, for inclusion in Appendix V of the circular dated 17 November 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 123 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at June 30 2007 or any future date; or

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

17 November 2007

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all of their opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the issue and allotment of the Consideration Shares (assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Completion Date) were as follows:

Authorised share capital:	*HK$*
10,000,000,000 Shares	1,000,000,000.00
Issued and to be issued, fully paid or credited as fully paid:	
369,357,451 Shares as at the Latest Practicable Date	36,935,745.10
379,357,451 Shares immediately after the issue and allotment of the Consideration Shares (assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Completion Date)	37,935,745.10

3. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, 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 SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Nature of interests	*Notes*	Number of Shares/ underlying Shares interested	Approximate percentage of total issued share capital *(Note 1)*
Dr. Ho Hung Sun, Stanley	Corporate	(2)	7,384,651	2.00%
Mr. Ho, Lawrence Yau Lung	Corporate	(3)	165,163,008	44.72%
	Personal	(5)	491,057	0.13%
Dr. Lee Jun Sing	Corporate	(4)	6,299,702	1.71%
	Personal	(5)	491,057	0.13%
Mr. Patrick Sun	Personal	(5)	2,400,000	0.65%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 369,357,451.

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

3. Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 Shares as a result of him being beneficially interested in approximately 33.48% of the issued share capital of Melco International Development Limited which in turn holds approximately 43.57% of the issued share capital of the Company; and (ii) 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.15% of the issued share capital of the Company.

4. Dr. Lee Jun Sing is taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 1.71% of the issued share capital of the Company.

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

(ii) Interest in equity derivatives of the Company

Pursuant to the share option scheme adopted by the Company on 29th November 2001 (the "Share Option Scheme"), as at the Latest Practicable Date, the Directors have options granted by the Company to subscribe for the Shares in the Company as follows:

Name of Directors	Date of grant	Exercise price per Share *HK$*	Number of underlying Shares comprised in the options outstanding	Approximate percentage of total issued share capital	Expiry date
Mr. Ho, Lawrence Yau Lung	9th July 2002 *(Note)*	1.00	491,057	0.13%	8th July 2012
Dr. Lee Jun Sing	9th July 2002 *(Note)*	1.00	491,057	0.13%	8th July 2012
Mr. Patrick Sun	27th December 2006 *(Note)*	1.292	2,400,000	0.65%	26th December 2016

Note:

The grant of options on 9th July 2002 and 27th December 2006 pursuant to the Share Option Scheme had been reviewed and approved by the then independent non-executive Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

4. SHAREHOLDERS WITH NOTIFIABLE INTERESTS

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

Name	*Notes*	**Capacity**	**Number of Shares held**	**Approximate shareholding percentage**
Melco Financial Group Limited	(1)	Beneficial owner	160,930,381	43.57%
Melco International Development Limited	(2)	Held by controlled corporation	160,930,381	43.57%
Ms. Sharen Lo	(3)	Family	165,654,065	44.85%
ASM Asia Recovery (Master) Fund	(4)	Beneficial owner	23,500,000	6.36%
Argyle Street Management Limited	(4)	Investment manager	27,000,000	7.31%
Argyle Street Management Holdings Limited	(4)	Held by controlled corporations	27,000,000	7.31%
Mr. Chan Kin	(4)	Held by controlled corporations	27,000,000	7.31%

Notes:

1. Melco Financial Group Limited is a wholly-owned subsidiary of Melco.
2. Melco is taken to be interested in 160,930,381 Shares as a result of Melco being beneficially interested in the entire issued share capital of Melco Financial Group Limited.
3. Ms. Sharen Lo is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in Shares in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.
4. 23,500,000 Shares were held by ASM Asia Recovery (Master) Fund directly as beneficial owner. Argyle Street Management Limited ("ASM"), as investment manager, through ASM Asia Recovery (Master) Fund and another managed fund, was indirectly interested in an aggregate of 27,000,000 Shares. ASM is a wholly-owned subsidiary of Argyle Street Management Holdings Limited ("ASM Holdings") which is held by Mr. Chan Kin as to 44.45%. Accordingly, ASM Holdings and Mr. Chan Kin are taken to be interested in the 27,000,000 Shares held by ASM.

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

5. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in the circular.

Name	Qualification
1. Ernst & Young	Certified Public Accountants
2. Deloitte Touche Tohmatsu	Certified Public Accountants
3. Hantec	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

(i) As at the Latest Practicable Date, each of Ernst & Young, Deloitte Touche Tohmatsu and Hantec did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(ii) As at the Latest Practicable Date, each of Ernst & Young, Deloitte Touche Tohmatsu and Hantec did not have any interest, direct or indirect, in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(iii) Each of Ernst & Young, Deloitte Touche Tohmatsu and Hantec has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name, in the form and context in which they respectively appear.

6. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, have been entered into by member of the Group within two years preceding the date of this circular and are, or may be, material:

– On 10 July 2007, the Company entered into a placing agreement and a subscription agreement with Melco Financial Group Limited ("Melco Financial"), a wholly-owned subsidiary of Melco and VC Brokerage Limited ("VC Brokerage"), as a placing agent and a wholly-owned subsidiary of the Company, pursuant to which Melco Financial agreed to place through VC Brokerage up to 50,680,000 existing Shares and Melco Financial conditionally agreed to subscribe up to 50,680,000 new Shares.

– On 6 September 2007, the Company entered into a placing and subscription agreement with Melco Financial and J.P. Morgan Securities (Asia Pacific) Limited ("JP Morgan"), as a placing agent, pursuant to which Melco Financial agreed to place through JP Morgan up to 61,000,000 existing Shares and Melco Financial conditionally agreed to subscribe up to 61,000,000 new Shares.

– the Agreement

7. COMPETING INTERESTS

Dr. Ho Hung Sun, Stanley, the Chairman and a Non-executive Director of the Company, is the chairman and a director of Seng Heng Bank Limited in Macau ("Seng Heng Bank"). Upon completion of the acquisition by the Group of the controlling beneficial interest in MCB, the Group would gain control over MCB. As part of the business of Seng Heng Bank consists of banking, securities brokerage and financial advisory services, the Directors believe that there is a potential risk that such part of business of Seng Heng Bank may compete with the general and investment banking business to be carried on and/or developed by the Group in Macau.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the substantial Shareholders or their respective associates had any competing interests in any business, which competes or may compete, either directly or indirectly with the businesses of the Company pursuant to the GEM Listing Rules.

8. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which has been, since the date of which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries.

9. MATERIAL ADVERSE CHANGE

Save as disclosed above, the Directors are not aware of any material adverse change in the financial position of the Group since 31 December 2006, being the date of which the latest published audited consolidated financial statements of the Group was made up.

10. SERVICE CONTRACTS

Mr. Ho, Lawrence Yau Lung and Mr. Patrick Sun has a service contract with VC Services Limited, a wholly-owned subsidiary of the Company, commencing on 1st January 2005 and 21st August 2006, respectively, which may be terminated by either party by not less than 3 months' written notice to the other party. The annual remuneration of Mr. Ho is HK$600,000 plus a discretionary bonus payable in April each year. Mr. Sun's annual remuneration is HK$2,802,000, and he may also receive a bonus of 5% of the profit before tax and extraordinary items of the Group or HK$1,000,000 (whichever amount is the higher) payable in April each year.

Save as disclosed above, no Director has a service contract with the Company and/or any of its subsidiaries, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

12. MISCELLANEOUS

1. The registered office of the Company is at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

2. The secretary of the Company is Mr. Tsang Yuen Wai, Samuel, a solicitor admitted in Hong Kong, England and Wales and Australia.

3. The qualified accountant of the Company is Ms. Choi Suet Yin, Celia, a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Chartered Secretaries.

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

5. The Company's Audit Committee was formed on 14th March 2001 and is composed of a non-executive Director and three independent non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Mr. Sham Sui Leung, Daniel, Mrs. Chu Ho Miu Hing and Attorney Lorna Patajo-Kapunan. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

   Dr. TYEN Kanhee, Anthony, aged 51, joined the Group in September 2004. He holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from the Chinese University of Hong Kong. He is an associate member of the HKICPA, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 29 years' experience in auditing, accounting, management and company secretarial practice. Dr. Tyen is also a director of Recruit Holdings Limited, the securities of which are listed on the Growth Enterprise Market of the Stock Exchange.

   Mr. SHAM Sui Leung, Daniel, aged 51, joined the Group in August 2004. Mr. Sham qualified as a chartered accountant in England and Wales, and worked as a certified public accountant in Hong Kong for over 20 years. He was a partner of Moores Rowland Mazars for 14 years until he retired on 31 December 2003. After his retirement, he rejoined Moores Rowland Mazars as a consultant in late 2004 and worked in that capacity until March 2006.

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

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

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

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

Attorney PATAJO-KAPUNAN, Lorna, aged 54, has been a Director of the Company since November 2000. Attorney Patajo-Kapunan has been an active law practitioner in the Philippines for many years. She is a graduate from the University of the Philippines, College of Law and also majored in AB Political Science. Attorney Patajo-Kapunan has a number of professional involvements throughout her legal career. The most recent ones include Founding President, Intellectual Property Alumni Association (IPAA); Councilor, Asean Patent Attorneys Association (APAA); Chairman, Copyright Committee (APAA); Regional President, Asean Intellectual Property Association (ASEAN IP); Director, Licensing Executive Society of the Philippines (LES); Chairman, Women Business Council of the Philippines and Chairman, National Issues Committee, Management Association of the Philippines. Attorney Patajo-Kapunan is Senior Partner of Kapunan Lotilla Flores Garcia & Castillo and her fields of practice include Corporate, Franchising, Mergers and Acquisitions, Litigation, Intellectual Property and Family Laws. Attorney Patajo-Kapunan has been re-designated from an independent non-executive director to a non-executive director of the Company on 28 December 2006.

6. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong from the date of this circular up to and including 4 December 2007:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2005 and 31 December 2006;

(c) the accountants' reports of Winwise, DPL and MCB prepared by Ernst & Young, the text of which are set out in appendices II, III and IV to this circular respectively;

(d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group as set out in appendix V to this circular;

(e) the statement of adjustments prepared by Ernst & Young;

(f) the letter from Hantec containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(g) the material contracts referred to in the paragraph headed "Material contracts"in this appendix;

(h) the written consents of the experts referred to in the paragraph headed "Experts and consents" in this appendix; and

(i) this circular.

VALUE CONVERGENCE HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Website: http://www.valueconvergence.com
(Stock Code: 8101)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN (the "Notice") that an extraordinary general meeting (the "Meeting") of Value Convergence Holdings Limited (the "Company") will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, on Tuesday, 4 December 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the sale and purchase agreement (the "**Agreement**") dated 28 September 2007 entered into between the Company and Hongkong Chinese Limited (the "**Vendor**") in relation to the sale and purchase of 60% interest in the issued share capital of Winwise Holdings Limited for a total consideration of HK$384,000,000 (the "**Acquisition**") and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed and the directors of the Company (the "**Directors**") be and are hereby authorized to do all things and execute such documents as they may consider necessary, expedient or desirable to effect and implement the terms of the Agreement and all transactions contemplated thereby; and

(b) conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares (as defined in the circular of the Company dated 17 November 2007), the issue of the Consideration Shares to the Vendor to partly satisfy the consideration of the Acquisition be and is hereby confirmed and approved."

(2) "THAT:

(a) subject to paragraph (c) of this ordinary resolution, the Directors be and are hereby granted an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company (the "**Shares**") or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements and options which might require the exercise of such power;

(b) the approval in paragraph (a) of this ordinary resolution shall be in addition to any other authorizations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined);

(ii) the exercise of rights of subscription or conversion under the terms of any warrants or any securities which may be issued by the Company from time to time and which are convertible into Shares;

(iii) the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or such other persons eligible to participate in any such scheme(s) or arrangement(s) of Shares or rights to acquire Shares; or

(iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this ordinary resolution;

(d) subject to the passing of each of the paragraphs (a), (b) and (c) of this ordinary resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this ordinary resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

(e) for the purpose of this ordinary resolution:

"Relevant Period" means the period from the passing of this ordinary resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company)."

By order of the Board of
Value Convergence Holdings Limited
Tsang Yuen Wai, Samuel
Company Secretary

Hong Kong, 17 November 2007

Registered Office:
28th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the registered office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Whether or not you intend to attend the Meeting in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.