



Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.valueconvergence.com>

(Stock code: 8101)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

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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.

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to VALUE CONVERGENCE HOLDINGS LIMITED. The directors of VALUE CONVERGENCE HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

The Group's revenue in 2007 amounted to approximately HK\$323.7 million, representing an increase of HK\$141.2 million or 77% as compared with 2006's HK\$182.6 million.

The Group recorded a consolidated net profit of HK\$50.4 million for 2007, which has increased by approximately 91% for an amount of HK\$24 million as compared with the profit figure in 2006.

PRESIDENT'S STATEMENT

2007 was another significant and fruitful year for Value Convergence Holdings Limited (the "VC Group") as the brokerage business continued to deliver encouraging results. In particular, our broking and margin financing business proved to be a key revenue driver, and the VC Group was also a joint sponsor for a major initial public offering. I am also pleased to announce that, in recognition of VC Group's achievements and excellent corporate management, we were honored with the "Hong Kong Outstanding Enterprises Award" by *Economic Digest*.

Last year was a good year for the financial services industry in spite of the very volatile stock market. As market sentiment improved following the Mainland Chinese Government's decision to permit investments under the Qualified Domestic Institutional Investor (QDII) scheme, the Hang Seng Index reached an all time high in October 2007. Benefiting from the buoyant stock market, brokerage commission from dealings in securities and futures and option contracts improved noticeably during the year under review.

In addition to general financial advisory transactions, in late September 2007, VC Group together with UBS AG acted as joint sponsors of the initial public offering of Hidili Industry International Limited. The IPO was oversubscribed by about 670 times and raised over HK\$4 billion. Such solid performance clearly illustrated VC Group's capability in deal execution and handling large fund-raising exercises. Determined to enhance our recurring fee-based revenue further, we will strive to fortify our asset management business.

The management remains optimistic about the long-term prospects of VC Group's financial services business despite concerns over a potential US recession. Having vigorously fortified operations, sought to diversify our product portfolio, and expanded geographically, we are confident in the ability to enlarge our revenue base, thus fueling continuous growth. We will duly pursue acquisitions that enable us to capture new business opportunities in the rapidly growing financial markets in the Greater China region, thereby widening our customer base, strengthening profit fundamentals, and ultimately, improving shareholder value. Certainly, with our single largest controlling shareholder, the Melco Group, continuing to lend its full support, VC Group's position as a high caliber financial services provider will be maintained.

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our business partners, customers and shareholders for their steadfast patronage over the year. Likewise, our dedicated management team and staff are deserving of recognition and will be entrusted with elevating VC Group to new heights in the months and years ahead. As always we relish the challenges that await us, and by concerted efforts, will seize on opportunities that deliver greater returns for VC Group and our shareholders.

Ho, Lawrence Yau Lung
President and Vice Chairman

Hong Kong, 14th March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS/FINANCIAL REVIEW

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

The Group

For the year ended 31st December 2007, the Group’s consolidated revenue was approximately HK\$323.7 million, an increase of about 77% compared with 2006. Consolidated profit attributable to shareholders increased by about HK\$24 million from the previous year to approximately HK\$50.4 million for the year under review. Brokerage business continued to deliver encouraging results with broking and margin financing business as the key contributor. The Group was also a joint sponsor in a major initial public offering. However, the Group recognises that its business performance is very much dependent on market conditions and how well it can cope with competition. It intends to continue to focus on improving operational efficiency by investing in information technology and implementing strict cost control in the year to come.

On 28th September 2007, the Group entered into agreements with Hong Kong Chinese Limited in relation to acquiring a 60% controlling beneficial interest in The Macau Chinese Bank Limited, a licensed bank incorporated in the Macau Special Administrative Region of the PRC. The time limit for obtaining the approval of the Monetary Authority of Macao (“AMCM”) regarding the acquisition was last due to expire on 29th February 2008, and, in view of the fact that no indication was received from AMCM, the Company’s Board of Directors (the “Board”) met to consider whether to extend the time limit further. In view of the adverse changes in the global financial and banking market in recent months, the Board considered it prudent not to extend the time limit further and the acquisition agreements accordingly lapsed on 1st March 2008. The Group remains, in principle, interested in acquiring an interest in The Macau Chinese Bank Limited and will continue to have discussions with the vendor. But the Company will consider this acquisition in light of the current financial and banking market condition. The Group will also consider and explore other investment opportunities.

In recognition of the Group’s achievements and excellent corporate management, Economic Digest granted a “Hong Kong Outstanding Enterprises Award” to the Company in 2007.

The Market

Last year was a good year for the financial services industry in spite of the very volatile market. The Hang Seng Index started out at 20,004 points and dropped to 19,800 on 31st March 2007. As market sentiment improved due to the Mainland Chinese Government's relaxing rules for permitting investments under the Qualified Domestic Institutional Investor (QDII) scheme, the Hang Seng Index climbed to 21,772 on 30th June 2007 and reached 27,142 on 30th September 2007. The index reached its all time high at 31,958 on 30th October 2007 and retreated by 13% in two months to close at 27,812 for the year ended 31st December 2007. The average daily turnover of the Hong Kong stock market in the first quarter of 2007 was approximately HK\$52.9 billion, and in the second quarter was approximately HK\$65.9 billion, up 24.6% against the preceding quarter. It continued to climb in the third quarter to HK\$97.7 billion and in the last quarter of the year reached approximately HK\$134.5 billion.

Brokerage

Benefiting from the buoyant stock market, brokerage commission from dealing in securities and futures and option contracts improved noticeably for the year under review. Gross commission income increased by about HK\$108 million, showing a growth of 102.7% when compared with 2006, and net brokerage commission income increased by 99.3%. Revenue and operating profit from this business segment were approximately HK\$213.2 million (2006: HK\$105.2 million) and HK\$30.8 million (2006: HK\$6.7 million) respectively for the year under review.

As for margin and other financing-related businesses, interest income grew by about 36.9% from HK\$61.3 million in 2006 to HK\$83.9 million. Net interest income, however, grew by a higher percentage of 55.1%, partly a result of the net proceeds of HK\$357.3 million from two share placements completed in July and September, which has reduced the Group's reliance on external borrowings. The total operating profit generated by margin and other financing-related businesses was HK\$26.2 million (2006: HK\$15 million) for the year under review.

The division also actively participated in share underwriting and placement activities during the year, generating significantly improved income from service fees and underwriting commissions.

Corporate Advisory and Others

As for corporate advisory and related businesses including underwriting, share placing and asset management, turnover and operating profits for the year were HK\$33.2 million (2006: HK\$16.1 million) and HK\$5.6 million (2006: HK\$7.2 million) respectively. Included in the operating profits was a gain of HK\$2.1 million (2006: HK\$11.3 million) from the Group's own investment trading portfolio.

In addition to general financial advisory transactions, in late September 2007, the Group together with UBS AG acted as joint sponsors in the initial public offering of Hidili Industry International Limited that was about 670 times oversubscribed and raised over HK\$4 billion. This clearly illustrated the Group's capability in deal execution and handling large fund raising exercises. Determined to enhance its recurring fee-based revenue, the Group will strive to grow its asset management business.

IPO sponsorships will continue to be a major revenue driver of the division, bringing business opportunities in underwriting and placement.

Asset Management

The Group is in the process of setting up a real estate private equity fund that will focus on the development of residential properties in Macau. It is intended that the Group, in partnership with a renowned international financial institution, will act as manager of this fund. This initiative will diversify the Group's product portfolio and enhance its fee-based revenue stream, and in turn contribute to the overall financial performance of the Group in the next financial year. The operating results of this division for the year under review were included in the Corporate Advisory and Others Division section.

For the year ended 31st December 2007, Hong Kong remained the core market of the Group.

Liquidity and financial resources/capital structure

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

The Group held banking facilities of HK\$205 million from various banks as at 31st December 2007 (2006: HK\$170 million) and HK\$60 million (2006: HK\$60 million) of these banking facilities was secured by margin clients' listed securities. As at 31st December 2007, the Group had no outstanding bank borrowings (HK\$49 million of unsecured bank borrowings as at 31st December 2006).

As at 31st December 2007, the Group had borrowed HK\$241.9 million (2006: HK\$241.9 million) from its major shareholder. The loans bear interest at prime rate minus 2% per annum or HIBOR plus 1.25% – 2% per annum and are repayable upon written notice from the major shareholder. The fund was used to finance expansion of the Group's business, to meet related regulatory capital requirements and strengthen relevant business capabilities.

As at 31st December 2007, the Group's net current assets, cash available and shareholders' funds (other than the trust accounts) amounted to approximately HK\$588.7 million (2006: HK\$174.6 million), HK\$293.4 million (2006: HK\$67.9 million) and HK\$605.5 million (2006: HK\$193.5 million) respectively. The current ratio, expressed as current asset over current liabilities, was maintained at 2.66 (2006: 1.35).

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

In July and September 2007, the Group completed two placements of 50,680,000 and 61,000,000 new shares respectively. The shares were placed with independent third parties comprising both institutional and retail investors. Share options for 4,537,272 shares were exercised during the year. As at 31st December 2007, the total number of issued ordinary shares of the Company was 369,957,451 at HK\$0.10 each (2006: 253,740,179 shares of HK\$0.10 each).

Corporate governance

The Group has in place a Code on Corporate Governance Practices (the “Code”), which sets out the corporate standards and practices used by the Group in directing and managing business affairs. The Code was prepared with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Code on Corporate Governance Practices issued by the Stock Exchange and came into effect on 1st January 2005. The Code not only formalized the Group’s existing corporate governance principles and practices, but also serves to assimilate the Group’s practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders.

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

As discussed above, on 28th September 2007 the Group entered into agreements with Hong Kong Chinese Limited in relation to acquiring a 60% controlling beneficial interest in The Macau Chinese Bank Limited, a licensed bank incorporated in the Macau Special Administrative Region of the PRC. The time limit for obtaining the approval of AMCM regarding the acquisition was last due to expire on 29th February 2008, and, in view of the fact that no indication was received from AMCM, the Board met to consider whether to extend the time limit further. In view of the adverse changes in the global financial and banking market in recent months, the Board considered it prudent not to extend the time limit further and the acquisition agreements accordingly lapsed on 1st March 2008. The Group remains, in principle, interested in acquiring an interest in The Macau Chinese Bank Limited and will continue to have discussions with the vendor. But the Company will consider this acquisition in light of the current financial and banking market condition. The Group will also consider and explore other investment opportunities.

Headcount/Employees’ information

As at 31st December 2007, the Group had a total of 126 employees, of whom 121 were stationed in Hong Kong and 5 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK\$52.2 million and HK\$117.5 million respectively for the year ended 31st December 2007 (2006: approximately HK\$31.7 million and HK\$56.8 million respectively). The Group's employees are selected, remunerated and promoted based on their qualifications and performance. Other staff benefits include contribution to the Mandatory Provident Fund, medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programmes are also provided to employees from time to time.

Charges on group assets

As at 31st December 2007, the Group had not charged or pledged any of its assets (2006: Nil).

Gearing ratio

As at 31st December 2007, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loans from the major shareholder) over shareholders' funds, was 0.4 times (2006: 1.5 times).

Foreign exchange exposure

It is the Group's policy that each operating entity uses local currencies as far as possible so as to minimize exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollar. Impact from foreign exchange exposure is thus minimal, which made hedging unnecessary.

Contingent liabilities

As at 31st December 2007, the Company provided corporate guarantees of HK\$160 million to banks in respect of banking facilities granted to the subsidiary, VC Brokerage Limited (2006: HK\$140 million).

OUTLOOK

Looking ahead, worries about the US economy heading for recession may increase volatility of the stock market. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial service business. With strong experience and managerial know-how in the financial service industry, the Company will continue to enhance its product and service offerings to cater for clients' diverse and growing needs. The Group will also actively pursue strategic acquisitions that can enable it to capture new business opportunities in the rapidly growing financial markets in the Greater China region and broaden its customer base, revenues and profit fundamentals, and ultimately improve shareholder value.

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2007

The board (the “Board”) of Directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2007, together with the audited comparative figures for the year ended 31st December 2006.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Revenue	4	323,747	182,587
Other income	4	3,795	2,236
Net gain on trading investments	4	2,051	11,283
Staff costs		(169,693)	(88,473)
Depreciation of property, plant and equipment		(1,625)	(1,440)
Amortisation of trading rights		(507)	(506)
Adjustment to goodwill		–	(1,471)
Commission expenses		(19,452)	(10,150)
Finance costs	5	(43,275)	(35,094)
Other operating expenses		(32,933)	(32,526)
		<u> </u>	<u> </u>
Profit before taxation	6	62,108	26,446
Taxation charge	7	(11,750)	(114)
		<u> </u>	<u> </u>
Profit for the year		<u>50,358</u>	<u>26,332</u>
Earnings per share (HK cents)			
Basic	9	<u>16.97</u>	<u>10.45</u>
Diluted	9	<u>16.59</u>	<u>10.22</u>

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Goodwill		8,151	8,151
Trading rights		1,266	1,773
Property, plant and equipment	10	2,750	2,463
Deferred tax assets	11	1,100	2,781
Statutory deposits		2,988	3,236
Other intangible assets		547	547
		<u>16,802</u>	<u>18,951</u>
Current assets			
Accounts receivable	12	614,893	588,236
Prepayments, deposits and other receivables		34,573	5,621
Trading investments	13	–	14,441
Amounts due from fellow subsidiaries		–	62
Amounts due from related companies		206	–
Bank balances and cash		293,389	67,916
		<u>943,061</u>	<u>676,276</u>
Current liabilities			
Accounts payable	14	47,750	157,260
Accrued liabilities and other payables		30,879	18,192
Amount due to ultimate holding company		11,662	18,679
Amounts due to fellow subsidiaries		–	15,243
Amount due to related companies		14,138	–
Loans from ultimate holding company		241,900	241,900
Short-term bank borrowings	15	–	49,000
Taxation payable		8,047	1,400
		<u>354,376</u>	<u>501,674</u>
Net current assets		<u>588,685</u>	<u>174,602</u>
Total assets less current liabilities		<u>605,487</u>	<u>193,553</u>
Capital and reserves			
Share capital	16	36,996	25,374
Reserves		568,491	168,179
Total equity		<u>605,487</u>	<u>193,553</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2007

	Attributable to equity holders of the parent						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	
At 1st January 2006	24,964	6,468	123,758	(61)	8,836	-	163,965
Exchange difference arising on translation of financial statements of foreign operation	-	-	-	(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 1st January 2007	25,374	9,074	123,758	(240)	35,168	419	193,553
Exchange difference arising on translation of financial statements of foreign operation	-	-	-	(297)	-	-	(297)
Net expense recognised directly in equity	-	-	-	(297)	-	-	(297)
Profit for the year	-	-	-	-	50,358	-	50,358
Total recognised income and expense for the year	-	-	-	(297)	50,358	-	50,061
Issue of shares	11,168	356,528	-	-	-	-	367,696
Exercise of share options	454	3,071	-	-	-	-	3,525
Transfer to share premium upon exercise of share options	-	405	-	-	-	(405)	-
Recognition of equity-settled share-based payment	-	-	-	-	-	1,002	1,002
Share issue expenses	-	(10,350)	-	-	-	-	(10,350)
At 31st December 2007	<u>36,996</u>	<u>358,728</u>	<u>123,758</u>	<u>(537)</u>	<u>85,526</u>	<u>1,016</u>	<u>605,487</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

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 parent was Melco Financial Group Limited (incorporated in the British Virgin Islands) and its ultimate holding company was Melco International Development Limited (incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited). During the year, the Company has issued 111,680,000 ordinary shares. After the issuance of shares, Melco Financial Group Limited holds no more than 50% of the total shares and ceased to have control over the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Company has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions ²
HK(IFRIC) – Int 12	Service concession arrangements ³
HK(IFRIC) – Int 13	Customer loyalty programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ³

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st March 2007.

³ Effective for annual periods beginning on or after 1st January 2008.

⁴ Effective for annual periods beginning on or after 1st July 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. REVENUES AND SEGMENT INFORMATION

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues		
– Brokerage commission from dealing in securities and futures and options contracts	213,185	105,186
– Underwriting, sub-underwriting, placing and sub-placing commission	13,528	10,077
– Arrangement, management, advisory and other fee income	13,181	6,070
– Interest income from clients	83,853	61,254
	<u>323,747</u>	<u>182,587</u>
Other income		
Interest income from authorised institutions	3,265	1,695
Dividend income	288	415
Sundry income	242	126
	<u>3,795</u>	<u>2,236</u>
Net gain on trading investments	2,051	11,283
	<u>329,593</u>	<u>196,106</u>

Primary reporting format – business segments

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

- (i) the broking segment engages in securities, futures and options broking and dealing;
- (ii) the margin and other financing segment engages in the provision of margin financing, commercial loans to corporate customers and money lending services; and
- (iii) the corporate advisory and others segment engages in the provision of corporate advisory, placing and underwriting services, proprietary trading and asset management services.

Year ended 31st December 2007

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	213,185	83,853	26,709	–	323,747
Inter-segment sales	–	–	6,445	(6,445)	–
	<u>213,185</u>	<u>83,853</u>	<u>33,154</u>	<u>(6,445)</u>	<u>323,747</u>
Segment results	<u>30,841</u>	<u>26,197</u>	<u>5,554</u>	<u>–</u>	<u>62,592</u>
Unallocated income					36,900
Unallocated costs					(37,384)
Profit before taxation					62,108
Taxation charge					(11,750)
Profit for the year					<u>50,358</u>
Segment assets	303,492	573,490	45,717		922,699
Unallocated corporate assets					37,164
					<u>959,863</u>
Segment liabilities	67,912	242,409	4,993		315,314
Unallocated corporate liabilities					39,062
					<u>354,376</u>

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information:					
Depreciation of property, plant and equipment	778	–	722	125	1,625
Amortisation of trading rights	507	–	–	–	507
Capital expenditures	877	–	806	228	1,911
Impairment of doubtful receivables	–	138	–	–	138

Year ended 31st December 2006

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	105,186	61,254	16,147	–	182,587
Inter-segment sales	–	378	–	(378)	–
	<u>105,186</u>	<u>61,632</u>	<u>16,147</u>	<u>(378)</u>	<u>182,587</u>
Segment results	<u>6,707</u>	<u>14,972</u>	<u>7,174</u>	<u>–</u>	28,853
Unallocated income					22,005
Unallocated costs					(24,412)
Profit before taxation					26,446
Taxation charge					(114)
Profit for the year					<u>26,332</u>
Segment assets	181,097	467,673	39,299		688,069
Unallocated corporate assets					7,158
					<u>695,227</u>
Segment liabilities	172,601	291,228	2,361		466,190
Unallocated corporate liabilities					35,484
					<u>501,674</u>

	Broking <i>HK\$'000</i>	Margin and other financing <i>HK\$'000</i>	Corporate advisory and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>–</u>	<u>2,895</u>	<u>85</u>	<u>–</u>	<u>2,980</u>

Inter-segment sales are charged at prevailing market rate.

Secondary reporting format – geographical segments

Year ended 31st December 2007 and 2006

No geographical segment analysis is presented for the years ended 31st December 2007 and 2006 as over 90% of the Group's revenues, segment results and the segment assets during the years ended 31st December 2007 and 2006 are derived from or located in Hong Kong.

5. FINANCE COSTS

	2007	2006
	HK\$'000	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	29,569	21,827
Interests on loans from ultimate holding company	13,706	13,267
	<u>43,275</u>	<u>35,094</u>

6. PROFIT BEFORE TAXATION

	2007	2006
	HK\$'000	HK\$'000
Profit before taxation is stated after (crediting) and charging the following:		
Auditor's remuneration	1,193	980
Operating leases in respect of land and buildings	4,851	4,405
Net exchange gain	(477)	(315)
Impairment of doubtful receivables	138	2,980
	<u>138</u>	<u>2,980</u>

7. 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:

	2007	2006
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong Profits Tax	10,069	1,400
Deferred taxation	1,681	(1,286)
	<u>11,750</u>	<u>114</u>

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation	62,108	26,446
Calculated at Hong Kong Profits Tax rate of 17.5%	10,869	4,628
Income not subject to taxation	(602)	(272)
Expenses not deductible for taxation purposes	1,151	506
Utilisation of previously unrecognised tax losses	(454)	(5,971)
Unrecognised deferred tax assets arising from estimated tax losses	1,314	590
Others	(528)	633
Taxation charge	11,750	114

8. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31st December 2007 (2006: Nil).

9. EARNINGS PER SHARE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	50,358	26,332
	2007 <i>'000</i>	2006 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	296,778	252,064
Effect of dilutive potential ordinary shares:		
Share options	6,722	5,519
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,500	257,583

10. PROPERTY, PLANT AND EQUIPMENT

	The Group			
	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment and software <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st January 2006	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
Additions	909	462	540	1,911
Written off	–	(103)	(418)	(521)
Exchange difference	–	11	18	29
At 31st December 2007	5,651	8,393	9,770	23,814
DEPRECIATION				
At 1st January 2006	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
Charge for the year	652	275	698	1,625
Written off	–	(103)	(418)	(521)
Exchange difference	–	11	17	28
At 31st December 2007	4,853	7,671	8,540	21,064
CARRYING VALUES				
At 31st December 2007	798	722	1,230	2,750
At 31st December 2006	541	535	1,387	2,463

The property, plant and equipment are 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	25-33 $\frac{1}{3}$ %

11. DEFERRED TAX ASSETS

	Estimated tax losses HK\$'000
At 1st January 2006	1,495
Credited to consolidated income statement for the year (<i>note 7</i>)	1,286
	<hr/>
At 1st January 2007	2,781
Charged to consolidated income statement for the year (<i>note 7</i>)	(1,681)
	<hr/>
At 31st December 2007	<u>1,100</u>

As at 31st December 2007, the Group and the Company have estimated unused tax losses of HK\$131,586,000 and HK\$46,200,000 (2006: HK\$136,275,000 and HK\$47,723,000) respectively to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statements in respect of HK\$6,286,000 (2006: HK\$15,900,000) to the extent that realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses approximately HK\$125,300,000 (2006: HK\$120,375,000) for the Group and HK\$46,200,000 (2006: HK\$47,723,000) for the Company were not recognised as deferred tax asset as it is uncertain whether sufficient future profits or taxable temporary differences will be available in the future to offset the amount. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

12. ACCOUNTS RECEIVABLE

	2007 HK\$'000	2006 HK\$'000
The Group		
Accounts receivable arising from the ordinary course of business of dealing in (<i>Note a</i>):		
– Securities transactions:		
Clearing houses and brokers	31,317	49,199
Cash clients	211,099	232,231
Margin clients	370,907	305,511
– Futures and options contracts transactions		
Brokers	26	136
HKCC	56	43
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services (<i>Note b</i>)	1,488	1,116
	<hr/>	<hr/>
	614,893	588,236
	<hr/> <hr/>	<hr/> <hr/>

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

The credit quality of accounts receivable are summarized as follows:

	2007	2006
	HK\$'000	HK\$'000
Neither past due nor impaired	538,732	568,414
Past due but not impaired (<i>Note c</i>)	54,544	8,728
Impaired (<i>Note d</i>)	34,841	24,180
	<hr/>	<hr/>
	628,117	601,322
Less: Allowance for impairment (<i>Note d</i>)	(13,224)	(13,086)
	<hr/>	<hr/>
	614,893	588,236
	<hr/> <hr/>	<hr/> <hr/>

The accounts receivable with a carrying amount of HK\$538,732,000 (2006: HK\$568,414,000) are neither past due nor impaired at the balance sheet date for which the Group believes that the amounts are considered recoverable.

Notes:

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are within 30 days.

Accounts receivable due from cash clients are secured by clients' pledged securities at fair values of approximately HK\$1,117,749,000 (2006: HK\$474,043,000). No collateral held can be repledged by the Group and the collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients.

Accounts receivable due from margin clients are included in *Neither past due nor impaired* as these accounts have no specific maturity date. The accounts receivable are secured by clients' pledged securities at fair values of approximately HK\$2,206,608,000 (2006: HK\$2,435,797,000), repayable on demand and bear interest at commercial rates. The decision of rate changes is on management's discretion. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients.

In respect of these accounts receivable except for those due from margin clients, the aging analysis is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	186,196	270,544
31 – 90 days	51,230	6,853
Over 90 days	5,072	4,212
	<u>242,498</u>	<u>281,609</u>

- (b) The accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services are due immediately from date of billing. The Group will grant a normal credit period of 30 days on average to its clients. The aging analysis is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	580	741
31 – 90 days	79	90
Over 90 days	829	285
	<u>1,488</u>	<u>1,116</u>

- (c) Included in *Past due but not impaired* are accounts receivable due from clients which are past due at the balance sheet date for which the Group has not provided for any impairment loss.

For cash client receivables which are past due but not impaired amounting approximately HK\$53,636,000 (2006: HK\$8,179,000), no impairment loss was provided as the amounts are considered recoverable at the balance sheet date as the Group holds securities collateral for these balances with fair values over the past due amounts over the relevant carrying amounts.

The remaining balance of accounts receivable which are past due but not impaired are those from provision of corporate advisory, placing and underwriting services amounting approximately HK\$908,000 (2006: HK\$549,000), the Group has not provided for any impairment loss as the debtors are with good credit quality and there are on-going projects with the Group. The extent of delay of these repayments is considered normal in the corporate advisory industry.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Past due up to 30 days	–	–
Past due 31 – 90 days	48,680	7,014
Past due over 90 days	5,864	1,714
	<hr/>	<hr/>
Total	54,544	8,728
	<hr/> <hr/>	<hr/> <hr/>

- (d) The Group has policy for allowance for doubtful debts which is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement including the creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for doubtful debts:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Balance at beginning of the year	13,086	10,191
Additional provisions	138	2,980
Amounts written off as uncollectible	–	(85)
	<hr/>	<hr/>
Balance at end of the year	13,224	13,086
	<hr/> <hr/>	<hr/> <hr/>

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date and the fair values of the collateral held. The concentration of credit risk is limited due to the customer base being large and unrelated.

13. TRADING INVESTMENTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The Group		
Trading investments		
Listed equity securities, at market value	–	14,441
	<hr/>	<hr/>

No trading investment is held as at 31st December 2007, which that of last year represents equity securities listed in Hong Kong.

14. ACCOUNTS PAYABLE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of dealing in securities transactions (<i>Note a</i>):		
– Cash clients (<i>Note b</i>)	43,996	150,489
– Margin clients	3,628	6,771
Accounts payable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services (<i>Note c</i>)	126	–
	<u>47,750</u>	<u>157,260</u>

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. 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) No outstanding balance of accounts payable to cash clients was due to companies with common directors as at 31st December 2007 (2006: HK\$7,442,000) and HK\$37,000 (2006: HK\$345,000) of accounts payable was due to key management personnel, directors and close family members of directors, in respect of transactions in securities undertaken for their accounts.
- (c) Accounts payable arising from corporate advisory, placing and underwriting services were aged within 30 days.

15. SHORT-TERM BANK BORROWINGS

There are no outstanding bank borrowings as at 31st December 2007 (2006: HK\$49,000,000 repayable on demand and partially secured by a charge over certain marketable securities from margin clients). The Company also provided corporate guarantees for the facilities. The interest rates for the loans are at market rate, thus exposing the Group to cash flow interest rate risk.

16. SHARE CAPITAL

	Authorised	
	No. of shares	Amount <i>HK\$'000</i>
At 31st December 2006 and 31st December 2007	10,000,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
	Issued and full paid	
	No. of shares	Amount <i>HK\$'000</i>
At 1st January 2006	249,641,226	24,964
Exercise of share options	4,098,953	410
	<hr/>	<hr/>
At 31st December 2006	253,740,179	25,374
Issue of shares	111,680,000	11,168
Exercise of share options	4,537,272	454
	<hr/>	<hr/>
At 31st December 2007	369,957,451	36,996
	<hr/> <hr/>	<hr/> <hr/>

In July 2007 and September 2007, the Company issued and allotted a total of 50,680,000 and 61,000,000 shares of HK\$2.2 and HK\$4.2 each respectively to independent third parties.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the two deviations mentioned below.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors’ service are appropriate given that directors ought to be committed to representing the long term interests of the Company’s shareholders and the retirement and re-election requirements of non-executive directors have given the Company’s shareholders the right to approve continuation of non-executive directors’ offices.

Code provision E.1.2 of the CG Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Dr. Ho Hung Sun, Stanley, Non-executive Chairman of the Board, was unable to attend the annual general meeting of the Company held on 19th April 2007 (the “AGM”) as he had another business engagement. Mr. Patrick Sun, an Executive Director and Chief Executive Officer of the Group, was elected in accordance with the Articles of Association of the Company to act as the chairman of the AGM and answered questions raised by the shareholders at the AGM.

AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises the three independent non-executive Directors of the Company. The Audit Committee has reviewed the Group’s results of the year 2007.

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

The Company has not redeemed any of its shares during the year ended 31st December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year ended 31st December 2007.

By Order of the Board of
Value Convergence Holdings Limited
Ho, Lawrence Yau Lung
President and Vice Chairman

Hong Kong, 14th March 2008

As at the date hereof, the Board comprises two Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (President and Vice Chairman) and Mr. Patrick Sun; two Non-executive Directors, namely, Dr. Ho Hung Sun, Stanley (Chairman) and Dr. Lee Jun Sing; and three Independent Non-executive Directors, namely, Mr. Sham Sui Leung, Daniel, Dr. Tyen Kanhee, Anthony and Mrs. Chu Ho Miu Hing.

This announcement will remain on the GEM Website at www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of its posting and on the website of the Company at www.valueconvergence.com.