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VC GROUP
滙盈集團

Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)
website: http://www.valueconvergence.com
(Stock Code: 821)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

FINANCIAL HIGHLIGHTS

The Group's revenue in 2008 amounted to approximately HK$129.7 million, representing a decline of HK$194 million or 60% as compared with 2007's HK$323.7 million.

The Group recorded a consolidated net profit of HK$7.6 million for 2008, which has decreased by approximately 85% for an amount of HK$42.8 million as compared with the profit figure in 2007.

CHAIRMAN'S STATEMENT

2008 was a very challenging year with uncertainties in major financial markets around the world. Investor confidence plunged as a result of the US sub-prime mortgage crisis, the global liquidity crunch, the softened Mainland equity market and bankruptcy of the United States and European financial institutions. As a provider of financial services, Value Convergence Holdings Limited (the "Group" or "the Company") was inevitably affected. However, with its solid presence in the Greater China region, sound balance sheet, and premium investment and wealth management products and services, the Group managed to weather the storm and achieved operational breakthroughs.

On 15 August 2008, the Group transferred listing from the Growth Enterprise Market (the "GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The new listing status has boosted the attraction of the Group to institutional and retail investors and increased the trading liquidity of its shares. Additionally, in order to enhance the Group's fee-based revenue stream, we formed with Macquarie Macau (a member of Macquarie Group) an asset management joint venture with the intention of managing either a private equity property development fund or a syndicated property development project, both of which are still work-in-progress and focus on mid to high-end residential properties in Macau.

As a fully-fledged financial services group in the Greater China Region, the Group continues to forge ahead towards the goal of becoming a premier regional financial services group. Improving operational efficiency and enhancing cost control will be our focuses in the coming year in coping with keen competition in the market. We consider that offering innovative products, premium services and expert advice to customers is the key to earning customer trust and investor endorsement. In order to achieve this goal, we will continue to seek to enhance our competitive advantages by employing seasoned professionals and advanced trading technologies.

Looking ahead, the management remains optimistic about the long-term prospects of the Group's financial services business. Although global economic conditions are expected to continue to be gloomy in 2009 with investors being extremely cautious in putting their money in the financial markets, we have confidence in the strength of the Mainland China economy and the solid foundation of the financial service market in Hong Kong. With diverse and premium products and services to offer, a management team armed with strong professional expertise and backing from our major shareholder, Melco International Development Limited (Stock code: 200), we are ready to capture new business opportunities in the rapidly growing financial markets in Greater China, with the ultimate goal of enhancing shareholder value.

On behalf of the Board of Directors, I would like to express my gratitude to our business partners, valued customers and shareholders for their steadfast support in the past year. We also owed it to our dedicated and professional management team and staff for the achievements we made during the year and we hope to be able to continue to count on their devotion to take our business to new heights in the years ahead. As always, we are ready to take on the challenges in front of us. Our concerted efforts will enable us to seize any opportunities that promise to deliver greater returns for our shareholders.

Ho, Lawrence Yau Lung
Chairman

Hong Kong, 23rd March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS/FINANCIAL REVIEW

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

The Group

The world economy performed poorly in 2008. In the first half of the year, the Hong Kong stock market was adversely affected by uncertainties in major financial markets around the world resulting from the US sub-prime mortgage crisis, the global liquidity crunch and the softened Mainland equity market. In the second half of 2008, the bankruptcy of Lehman Brothers and some other European financial institutions caused investor confidence to plunge to a low level. This has been particularly evident in the equities market. Affected by poor market sentiments, for the year ended 31st December 2008, the Group's consolidated revenue was approximately HK$129.7 million, a decline of about 60% compared with 2007. Consolidated profit attributable to shareholders decreased by about HK$42.8 million from that of last year to approximately HK$7.6 million for the year under review. In an increasingly competitive marketplace, the Group recognises that its business performance depends very much 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.

The Market

As expected, the Hong Kong stock market performed poorly during the year under review. Starting at 27,632 in the beginning of 2008, the Hang Seng Index ("HSI") closed at 14,387 on 31st December 2008, representing an over 48% fall in the benchmark HSI. Average daily turnover of the Hong Kong stock market was approximately HK$98.7 billion in the first quarter of 2008 and approximately HK$76.1 billion in the second quarter, a decrease of 22.9%. Came the third quarter, the number was down to HK$63.6 billion and in the last quarter, it shrank to approximately HK$50.8 billion.

Brokerage

Reflecting the poor market sentiment, brokerage commission from dealing in securities and futures and options contracts was down notably for the year ended 31st December 2008. Gross commission income dropped by about HK$130.6 million, a 61.2% decrease compared with 2007 and net brokerage commission income was down by 54.5%. Revenue and operating loss from this business area were approximately HK$82.6 million (2007: HK$213.2 million) and HK$8.3 million (2007: operating profit HK$30.8 million) respectively for the year under review.

As for margin and other finance-related businesses, interest income dropped by about 60.2% from HK$83.9 million in 2007 to HK$33.4 million in the review year. However, net proceeds received from the two share placements completed in July and September 2007 had significantly reduced the Group's reliance on external borrowings. As a result, net interest income for the year decreased by 34.9%. Overall, the operating profit generated from margin and other finance-related businesses was HK$18.9 million (2007: HK$26.2 million) for the year under review.

Corporate Finance and Others

Corporate advisory and related businesses, such as underwriting, share placing and asset management, made turnover and operating loss for the year of HK$14.4 million (2007: HK$33.2 million) and HK$3.2 million (2007: operating profit of HK$5.6 million) respectively. The performance was mainly attributable to a lackluster fund raising market during the year.

IPO sponsorships will continue to be a major revenue driver of the division and will create business opportunities in underwriting and share placements for the Group.

Asset Management

In addition to general financial advisory transactions, the Group is determined to enhance its recurring fee-based revenue by growing its asset management business.

During the year, VC Financial Group Limited ("VC Financial Group"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company ("JV Company"). VC Financial Group and Macquarie Macau agreed to each contribute HK$95 million to the JV Company for acquiring a piece of land in Macau. This piece of land was acquired in September 2008 and the JV intends to bring in third party investors and will work to transform this asset into a private equity real estate fund or a syndicated property development project in the first half of 2009. The Group, in partnership with Macquarie Macau, will act as the manager of the fund or the development project. 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 near future. 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 2008, 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$185.0 million from various banks as at 31st December 2008 (2007: HK$205.0 million) and HK$60.0 million (2007: HK$60.0 million) of which was secured by margin clients' listed securities. As at 31st December 2008, the Group had no outstanding bank borrowing (2007: Nil).

As at 31st December 2008, the Group had borrowed HK$41.9 million (2007: HK$241.9 million) from its major shareholder at HIBOR plus 2% per annum (2007: prime rate minus 2% per annum or HIBOR plus 1.25% – 2% per annum). This loan was fully repaid on 2nd February 2009. The fund was used to finance the expansion of the Group's financial services business, to meet related regulatory capital requirements and strengthen relevant business capabilities.

As at 31st December 2008, the Group's net current assets, cash available and shareholders' funds (other than the trust accounts) amounted to approximately HK$501.3 million (2007: HK$588.7 million), HK$301.9 million (2007: HK$293.4 million) and HK$612.1 million (2007: HK$605.5 million) respectively. Current ratio of the Group, expressed as current asset over current liabilities, was maintained at 7.51 (2007: 2.66).

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

Corporate governance

The Group has in place a Code on Corporate Governance Practices ("Code"), which sets out the corporate standards and practices used by the Group in directing and managing its business affairs. The Code was prepared with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Code on Corporate Governance Practices issued by the Stock Exchange and came into effect on 1st January 2005. The Code not only formalizes the Group's existing corporate governance principles and practices, but has also served 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

During the year, VC Financial Group entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 JV Company. VC Financial Group and Macquarie Macau agreed to each contribute HK$95 million to the JV Company for acquiring a piece of land in Macau. The JV Company intends to bring in third party investors and transform this asset into a private equity real estate fund or a syndicated property development project in the first half of 2009.

Headcount/Employees' information
As at 31st December 2008, the Group had a total of 114 employees, of whom 112 were stationed in Hong Kong and 2 in the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK$38 million and HK$43 million respectively for the year ended 31st December 2008 (2007: approximately HK$52.2 million and HK$117.5 million respectively). The Group's employees are selected, remunerated and promoted based on their qualifications, competence and performance merit. In addition to basic salaries and Mandatory Provident Fund Scheme, other benefits include medical coverage, sales commission, performance-based bonus and discretionary share options. Training and development programs are also provided to employees on continual basis.

Corporate citizenship
Sharing the same dedication of its major shareholder Melco International Development Limited ("Melco") in contributing to the betterment of the community, the Group has honoring Corporate Social Responsibility ("CSR") as an integral part of its corporate mission. Joining hands with Melco, the Group actively encourages staff members to participate in various voluntary programs including the UNICEF Charity Run 2008 organised by the Hong Kong Committee for UNICEF, the Attention Deficit and Hyperactivity Disorder Project of Heep Hong Society, Green Day of The Community Chest and Walk for Nature 2008 of WWF.

Charges on group assets
As at 31st December 2008, the Group had not charged or pledged any of its assets (2007: Nil).

Gearing ratio
As at 31st December 2008, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loans from a major shareholder) over shareholders' funds, was at 0.07 times (2007: 0.4 times).

Foreign exchange exposure
It is the Group's policy that each operating entity uses local currencies as much as possible in order to minimise exchange related risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars. As impact from foreign exchange exposure on the Group is minimal, no hedging against foreign currency exposure is necessary.

Future plans for material investments or capital assets
As at 31st December 2008, the Group had no known plans with regard to material investments or capital assets.

Contingent liabilities
As at 31st December 2008, the Company provided guarantees of HK$160 million to banks in respect of banking facilities granted to its wholly-owned subsidiary, VC Brokerage Limited (2007: HK$160 million).

OUTLOOK

Looking ahead, global recession is expected to continue in 2009 with investors extremely cautious towards investing their money in the financial markets. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial services business. Given the prevalently strong Mainland China economy and the solid foundation of the financial service market in Hong Kong, the Company will continue to enhance its product and service offerings to cater for the diverse and growing needs of customers. 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, with an ultimate goal of enhancing shareholder value.

On 2nd July 2008, the Company submitted an application to the Stock Exchange to transfer listing of all its issued shares of par value HK$0.10 each from GEM of the Stock Exchange to the Main Board of the Stock Exchange (the "Transfer of Listing") pursuant to the new streamlined transfer of listing procedures under Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange effective from 1st July 2008. Subsequent to receiving the approval-in-principle for the Transfer of Listing from the Stock Exchange on 7th August 2008, dealings in the Company's shares on the Main Board commenced at 9:30 a.m. on 15th August 2008. The Board is of the view that the Transfer of Listing has enhanced the profile of the Group making it more attractive to institutional and retail investors and thus increasing the trading liquidity of its shares. With improved ability to raise capital, the Group is confident of its business development and growth prospects in the long run.

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008

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 2008, together with the audited comparative figures for the year ended 31st December 2007.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2008

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
Revenue	*4*	**129,672**	323,747
Other income	*4*	**6,686**	3,795
Net gain on trading investments	*4*	**–**	2,051
Staff costs		**(81,075)**	(169,693)
Depreciation of property, plant and equipment		**(2,670)**	(1,625)
Amortisation of trading rights		**(507)**	(507)
Commission expenses		**(4,890)**	(19,452)
Finance costs	*5*	**(6,959)**	(43,275)
Other operating expenses		**(29,169)**	(32,933)
Share of loss of jointly controlled entities		**(2,124)**	–
Profit before taxation	*6*	**8,964**	62,108
Taxation charge	*7*	**(1,388)**	(11,750)
Profit for the year		**7,576**	50,358
Earnings per share (HK cents)			
Basic	*9*	**2.05**	16.97
Diluted	*9*	**2.04**	16.59

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill		**8,151**	8,151
Trading rights		**759**	1,266
Property, plant and equipment	10	**4,423**	2,750
Deferred tax assets	11	**1,100**	1,100
Statutory deposits		**2,988**	2,988
Other intangible assets		**547**	547
Investments in jointly controlled entities	12	**–**	–
Loan to a jointly controlled entity	12	**92,877**	–
		110,845	16,802
Current assets			
Accounts receivable	13	**263,393**	614,893
Prepayments, deposits and other receivables		**3,459**	34,573
Amount due from a major shareholder		**112**	–
Amounts due from related companies		**230**	206
Amounts due from jointly controlled entities		**9,262**	–
Bank balances and cash		**301,856**	293,389
		578,312	943,061
Current liabilities			
Accounts payable	14	**19,880**	47,750
Accrued liabilities and other payables		**13,889**	30,879
Amount due to a major shareholder		**81**	11,662
Amounts due to related companies		**513**	14,138
Loans from a major shareholder		**41,900**	241,900
Taxation payable		**746**	8,047
		77,009	354,376
Net current assets		**501,303**	588,685
Total assets less current liabilities		**612,148**	605,487
Capital and reserves			
Share capital	15	**37,117**	36,996
Reserves	16	**575,031**	568,491
Total equity		**612,148**	605,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2008

	Attributable to equity holders of the parent								
	Share capital *HK$'000*	Shares held for share purchase scheme *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Share option reserve *HK$'000*	Awarded shares compensation reserve *HK$'000*	Total *HK$'000*
At 1st January 2007	25,374	–	9,074	123,758	(240)	35,168	419	–	193,553
Exchange difference arising on translation 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 1st January 2008	36,996	–	358,728	123,758	(537)	85,526	1,016	–	605,487
Exchange difference arising on translation of foreign operation	–	–	–	–	(317)	–	–	–	(317)
Net expense recognised directly in equity	–	–	–	–	(317)	–	–	–	(317)
Profit for the year	–	–	–	–	–	7,576	–	–	7,576
Total recognised income and expense for the year	–	–	–	–	(317)	7,576	–	–	7,259
Exercise of share options	121	–	657	–	–	–	–	–	778
Recognition of equity-settled share-based payment	–	–	–	–	–	–	512	2,925	3,437
Shares purchased for share purchase scheme *(Note 16)*	–	(4,813)	–	–	–	–	–	–	(4,813)
Transfer of shares held for share purchase scheme upon vesting of shares *(Note 16)*	–	1,592	–	–	–	–	–	(1,592)	–
At 31st December 2008	37,117	(3,221)	359,385	123,758	(854)	93,102	1,528	1,333	612,148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. On 15th August 2008, the Company transferred the listing of its shares from the Growth Enterprise Market to the Main Board of the Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed respectively in the corporate information of the annual report. After the issurance of shares in 2007, Melco Financial Group Limited, a wholly-owned subsidiary of Melco International Development Limited ("Melco") holds no more than 50% of the total shares of the Company. It became a major shareholder and ceased to have control over the Company. Its fellow subsidiaries became the related companies to the Group.

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, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - Int 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - Int 12	Service concession arrangements
HK(IFRIC) - Int 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]

HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendments)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded derivatives[7]
HK(IFRIC) - Int 13	Customer loyalty programmes [4]
HK(IFRIC) - Int 15	Agreements for the construction of real estate [2]
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation [5]
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) - Int 18	Transfers of assets from customers [6]

[1] Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.

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

[3] Effective for annual periods beginning on or after 1st July 2009.

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

[5] Effective for annual periods beginning on or after 1st October 2008.

[6] Effective for transfers on or after 1st July 2009.

[7] Effective for annual periods ending on or after 30th June 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January 2006. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of these standards, amendments 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 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 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, other corporate finance related advisory service; and securities, futures and options broking and dealing.

	2008	2007
	HK$'000	*HK$'000*
Revenues		
– Brokerage commission from dealing in securities and futures and options contracts	**82,625**	213,185
– Underwriting, sub-underwriting, placing and sub-placing commission	**6,954**	13,528
– Arrangement, management, advisory and other fee income	**6,696**	13,181
– Interest income from clients	**33,397**	83,853
	129,672	323,747
Other income		
Interest income from authorised institutions	**3,728**	3,265
Dividend income	**–**	288
Management fee income from a jointly controlled entity	**2,943**	–
Sundry income	**15**	242
	6,686	3,795
Net gain on trading investments	**–**	2,051
Total income	**136,358**	329,593

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 2008

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenues	**82,625**	**33,397**	**13,650**	**–**	**129,672**
Inter-segment sales	**–**	**–**	**700**	**(700)**	**–**
	82,625	**33,397**	**14,350**	**(700)**	**129,672**
Segment results	**(8,297)**	**18,939**	**(3,189)**	**–**	**7,453**
Unallocated income					**34,069**
Unallocated costs					**(30,434)**
Share of loss of jointly controlled entities					**(2,124)**
Profit before taxation					**8,964**
Taxation charge					**(1,388)**
Profit for the year					**7,576**
Segment assets	**274,464**	**245,122**	**28,294**		**547,880**
Unallocated corporate assets					**141,277**
					689,157
Segment liabilities	**31,320**	**41,910**	**782**		**74,012**
Unallocated corporate liabilities					**2,997**
					77,009

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information:					
Depreciation of property, plant and equipment	**1,495**	**–**	**725**	**450**	**2,670**
Amortisation of trading rights	**507**	**–**	**–**	**–**	**507**
Capital expenditures	**3,497**	**–**	**2**	**842**	**4,341**
Allowance for doubtful receivables	**–**	**1,982**	**–**	**–**	**1,982**
Bad debt written off	**–**	**–**	**310**	**–**	**310**

Year ended 31st December 2007

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenues	213,185	83,853	26,709	–	323,747
Inter-segment sales	–	–	6,445	(6,445)	–
	213,185	83,853	33,154	(6,445)	323,747
Segment results	30,841	26,197	5,554	–	62,592
Unallocated income					36,195
Unallocated costs					(36,679)
Profit before taxation					62,108
Taxation charge					(11,750)
Profit for the year					50,358
Segment assets	303,492	573,490	45,717		922,699
Unallocated corporate assets					37,164
					959,863
Segment liabilities	67,912	242,409	4,993		315,314
Unallocated corporate liabilities					39,062
					354,376

	Broking *HK$'000*	Margin and other financing *HK$'000*	Corporate advisory and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
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
Allowance for doubtful receivables	–	138	–	–	138

Inter-segment sales are charged at prevailing market rate.

Secondary reporting format - geographical segments

Year ended 31st December 2008 and 2007

No geographical segment analysis is presented for the years ended 31st December 2008 and 2007 as over 90% of the Group's revenues, segment results and the segment assets during the years ended 31st December 2008 and 2007 are derived from or located in Hong Kong.

5. FINANCE COSTS

	2008 ***HK$'000***	2007 *HK$'000*
Interests on bank loans and overdrafts wholly repayable within five years	**1,064**	29,569
Interests on loans from a major shareholder	**5,895**	13,706
	6,959	43,275

6. PROFIT BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation is stated after (crediting) and charging the following:		
Auditor's remuneration	**1,315**	1,193
Operating leases in respect of land and buildings	**5,783**	4,851
Net exchange loss (gain)	**338**	(477)
Allowance for doubtful receivables	**1,982**	138
Bad debt written off	**310**	–

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

	2008	2007
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong Profits Tax	**1,728**	10,069
– Overprovision in prior years	**(340)**	–
Deferred taxation	**–**	1,681
	1,388	11,750

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**8,964**	62,108
Calculated at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**1,479**	10,869
Tax effect of share of loss of jointly controlled entities	**350**	–
Income not subject to taxation	**(809)**	(602)
Expenses not deductible for taxation purposes	**847**	1,151
Overprovision in respect of prior years	**(340)**	–
Utilisation of deductible temporary difference previously not recognised	**(449)**	–
Utilisation of previously unrecognised tax losses	**(1,340)**	(454)
Unrecognised deferred tax assets arising from estimated tax losses	**1,661**	1,314
Others	**(11)**	(528)
Taxation charge	**1,388**	11,750

8. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31st December 2008 (2007: Nil).

9. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**7,576**	50,358

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**369,465**	296,778
Effect of dilutive potential ordinary shares: Share options	**1,553**	6,722
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**371,018**	303,500

10. 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 2007	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
Additions	829	1,091	2,421	4,341
Written off	(1,215)	–	–	(1,215)
Exchange difference	–	–	18	18
At 31st December 2008	5,265	9,484	12,209	26,958
DEPRECIATION				
At 1st January 2007	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
Charge for the year	1,299	323	1,048	2,670
Written off	(1,215)	–	–	(1,215)
Exchange difference	–	–	16	16
At 31st December 2008	4,937	7,994	9,604	22,535
CARRYING VALUES				
At 31st December 2008	328	1,490	2,605	4,423
At 31st December 2007	798	722	1,230	2,750

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 $^1/_3$%

11. DEFERRED TAX ASSETS

	Estimated tax losses
	HK$'000
At 1st January 2007	2,781
Charged to consolidated income statement for the year *(Note 7)*	(1,681)
At 1st January 2008	1,100
Charged to consolidated income statement for the year *(Note 7)*	–
At 31st December 2008	1,100

As at 31st December 2008, the Group and the Company have estimated unused tax losses of HK$124,135,000 and HK$37,925,000 (2007: HK$122,188,000 and HK$45,017,000) respectively to carry forward against future taxable income. A deferred tax asset has been recognised in the consolidated financial statements in respect of estimated unused tax losses of HK$6,667,000 (2007: HK$6,286,000) to the extent that realisation of the related tax benefit through future taxable profits is probable. Estimated unused tax losses approximately HK$117,468,000 (2007: HK$115,902,000) for the Group and HK$37,925,000 (2007: HK$45,017,000) 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. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

	THE GROUP
	HK$'000
Cost of investments in jointly controlled entities	1
Share of post-acquisition losses	(1)
	–
Loan to a jointly controlled entity	95,000
Less: Loss allocated in excess of cost of investments	(2,123)
	92,877

13. ACCOUNTS RECEIVABLE

	2008	2007
	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	**15,594**	31,317
Cash clients	**75,410**	211,099
Margin clients	**171,384**	370,907
– Futures and options contracts transactions:		
Brokers	**–**	26
HKCC	**–**	56
Accounts receivable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note b)*	**1,005**	1,488
	263,393	614,893

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

The credit quality of accounts receivable are summarised as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**246,565**	538,732
Past due but not impaired *(Note c)*	**6,117**	54,544
Impaired *(Note d)*	**25,701**	34,841
	278,383	628,117
Less: Allowance for impairment *(Note d)*	**(14,990)**	(13,224)
	263,393	614,893

The accounts receivable with a carrying amount of HK$246,565,000 (2007: HK$538,732,000) are neither past due nor impaired at the balance sheet date. The Group believes that the amounts are recoverable.

Notes:

(a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities transactions are two trading days after the trade date, and accounts receivable arising from the ordinary course of business of dealing in futures and options contracts transactions are within 30 days. Amounts due from brokers bear interest at commercial rates.

Accounts receivable due from cash clients are secured by clients' pledged securities at fair values of approximately HK$988,445,000 (2007: HK$1,117,749,000). No collateral held can be repledged by the Group and the corresponding collateral held can be sold at the Group's discretion to settle any past due outstanding amounts of the cash clients. Cash client receivables which are past due bear interest at commercial rates.

Accounts receivable due from margin clients are included in *Neither past due nor impaired as* these accounts have no specific maturity date. The accounts receivable are secured by clients' pledged securities at fair values of approximately HK$550,223,000 (2007: HK$2,206,608,000), repayable on demand and bear interest at commercial rates. The decision of rate changes is based on management's discretion. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The collateral held can be repledged up to 140% of the margin receivable amounts and the corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients.

In respect of these accounts receivable arising from the ordinary course of business of dealing in securities transactions and futures and options contracts transactions except for those due from margin clients, the aging analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**82,219**	186,196
31 - 90 days	**1,121**	51,230
Over 90 days	**7,664**	5,072
	91,004	242,498

(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:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**233**	580
31 - 90 days	**573**	79
Over 90 days	**199**	829
	1,005	1,488

(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$5,345,000 (2007: HK$53,636,000), 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 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$772,000 (2007: HK$908,000), 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:

	2008	2007
	HK$'000	*HK$'000*
Past due up to 30 days	**–**	–
Past due 31 - 90 days	**1,162**	48,680
Past due over 90 days	**4,955**	5,864
Total	**6,117**	54,544

(d) The Group has policy for allowance for doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collaterals and the past collection history of each client. Approximately HK$5,610,000 (2007: HK$4,712,000) of interest income was accrued on the impaired accounts receivable.

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**13,224**	13,086
Additional provisions	**1,982**	138
Amounts written off as uncollectible	**(216)**	–
Balance at end of the year	**14,990**	13,224

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.

14. ACCOUNTS PAYABLE

	2008	2007
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities transactions *(Note a)*		
– Cash clients *(Note b)*	**15,523**	43,996
– Margin clients	**4,357**	3,628
Accounts payable arising from the ordinary course of business of provision of corporate advisory, placing and underwriting services *(Note c)*	**–**	126
	19,880	47,750

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) HK$150,000 (2007: HK$37,000) 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. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.1 each	
	No. of shares	Amount
		HK$'000
At 31st December 2007 and 31st December 2008	10,000,000,000	1,000,000

	Issued and full paid	
	No. of shares of HK$0.1 each	Share capital
		HK$'000
At 1st January 2007	253,740,179	25,374
Issue of shares	111,680,000	11,168
Exercise of share options	4,537,272	454
At 31st December 2007	369,957,451	36,996
Exercise of share options	1,212,321	121
At 31st December 2008	371,169,772	37,117

16. RESERVES

On 31st March 2008, the Board of Directors of the Company approved the establishment of two share incentive award schemes. The Share Purchase Scheme utilises Shares purchased in the market through VC Share Purchase Scheme Trust whereas the Share Award Scheme will subscribe for new Shares through VC Share Award Scheme Trust. No share was granted through the VC Share Award Scheme Trust at 31st December 2008.

During the year, VC Share Purchase Scheme Trust acquired 3,712,000 shares of the Company (2007: Nil) through purchases in the open market. The total amount paid to acquire the shares during the year was HK$4,813,000 (2007: Nil) and has been deducted from shareholders' equity.

During the year, the VC Share Purchase Scheme Trust transferred 1,228,000 shares (2007: Nil) to the awardees upon vesting on 18th August 2008. The total cost of the related vested shares was HK$1,592,000 (2007: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in 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, the Non-executive Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29th April 2008 (the "AGM") as he had another business engagement. Mr. Ho, Lawrence Yau Lung, one of the Directors, 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 meeting. Due to other business engagements which require more of his attention, Dr. Ho Hung Sun, Stanley did not offer himself for re-election as Director at the AGM and has therefore retired as a Non-executive Director of the Company at the conclusion of the AGM. He also ceased to act as the Chairman of the Company with effect from 29th April 2008.

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 2008.

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

During the year, the Company had not redeemed any of its Shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares, except that the trustee of Share Purchase Scheme had, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 3,712,000 shares of the Company. The total amount paid to acquire these Shares during the period was approximately HK$4,813,000.

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

Hong Kong, 23rd March 2009

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

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