



VALUE CONVERGENCE HOLDINGS LIMITED

滙盈控股有限公司

A Hong Kong listed company with stock code : 8101

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

## 1st Quarterly Report 2006



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at <http://www.hkgem.com> in order to obtain up-to-date information on GEM-listed companies.**

*This report, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED (the “Company”) 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 the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



The board (the “Board”) of directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2006, together with comparative figures of the corresponding period in 2005.

## **BUSINESS REVIEW**

The Group offers a comprehensive range of premier financial services and products to fulfil the various investment and wealth management needs of our clients. It handles securities, futures and options brokerage and dealings. The Group also renders corporate finance advisory service, initial public offerings, mergers and acquisition advisory services, in addition to direct investment and asset management businesses. Its goal is to become a full-fledged investment banking house.

The Group’s unaudited consolidated revenues amounted to approximately HK\$45.8 million for the three months ended 31st March 2006, representing an increase of about 74.7% when compared with the same period in 2005 (three months ended 31st March 2005: HK\$26.2 million). Its unaudited consolidated net profit for the three months ended 31st March 2006 was approximately HK\$9.8 million, representing an increase of HK\$8.4 million from that of the same period in 2005 (three months ended 31st March 2005: HK\$1.4 million). The improved operating results during the three months under review are attributable to the better operating performance of the brokerage business and trading investments.

Stepping into 2006, the financial services industry posed a bright outlook. The Hang Seng Index was at 14876 at the start of 2006 and rose to 15805 on 31st March 2006. The average daily market turnover of the Hong Kong stock market in the first quarter of 2006 was approximately HK\$31.2 billion, about 69.5% and 66.6% more than the respective average turnover of the same period in 2005 (HK\$18.4 billion) and the preceding quarter (HK\$18.7 billion).

### **Brokerage**

During the three months ended 31st March 2006, division’s performance saw significant improvement as income from brokerage commission increased. Gross brokerage commission income increased by about HK\$14.3 million during the review period, representing an increase of 84.8% than that of the same period in 2005, while net brokerage commission income increased by 58.5%. It was the upturn of the Hong Kong stock market in the first quarter that contributed to the rise in commission income. Overall, the brokerage division recorded a revenue and operating profit of HK\$31.1 million and HK\$3.9 million respectively during the three months ended 31st March 2006 (three months ended 31st March 2005: revenue of HK\$16.8 million and loss of HK\$0.1 million).

Increased funding costs, however, squeezed the division's net interest margin during the review period. While interest income from margin and other financing business grew by about 118.5% to HK\$12.9 million (three months ended 31st March 2005: HK\$5.9 million), net interest income only increased by 32.3%. Overall, the Group's margin and other financing business reported an operating profit of HK\$2.3 million for the three months ended 31st March 2006 (three months ended 31st March 2005: HK\$3.2 million).

### **Corporate Finance and Others**

During the three months ended 31st March 2006, the corporate finance division participated in a number of deals. Corporate advisory and related businesses, including underwriting, share placing and asset management, recorded a revenue of HK\$1.9 million and an operating profit of HK\$4.2 million during the three months ended 31st March 2006 (three months ended 31st March 2005: revenue of HK\$3.5 million and loss of HK\$1.6 million). The operating profit included the gain from trading investments of HK\$7.8 million during the three months ended 31st March 2006 (three months ended 31st March 2005: loss of HK\$0.6 million).

### **Asset Management**

The Group is in the process of establishing a direct investment fund that focuses on opportunities in the leisure and entertainment sectors in Macau and in the Greater China Region. A separate real estates investment fund is also in the making and primarily targets investment projects in the burgeoning Macau properties market. These initiatives will expand the product portfolio as well as the fee-base revenue of the Group. Contribution will likely come in towards the end of the current financial year. The operating results of this division during the three months ended 31st March 2006 is included in the Corporate Finance and Others Division.

### **Corporate Governance**

The Group adopts 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 Hong Kong Stock Exchange ("HKSE Code"), which came into effect on 1st January 2005. In addition to formalizing the Group's existing corporate governance principles and practices, the Code also serves to assimilate the Group's practices with benchmarks prescribed in the HKSE Code to ultimately ensure that the Group runs a highly transparent operation and is accountable to its shareholders.



## OUTLOOK

The performance of our investment banking and financial services business is linked naturally to the overall performance of the financial market in Hong Kong. As the local and global economies revive, the China market is growing steadily. Hong Kong continues to be the preferred listing location for Chinese Mainland enterprises, and the local stock market can look forward to a healthy growth in 2006. However, with oil prices still fluctuating and the threat of interest rate hikes lingering, the market may be volatile.

The management remains optimistic about the long-term prospects of the Group's investment banking and financial services business. Based on its solid foundation, the Group will forge ahead by expanding its product scope as well as the geographical coverage of its services. In addition to actively pursuing initiatives such as offering fund management services and new investment products, the Group will also explore business acquisitions opportunities that benefit the Group's overall growth.

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

Hong Kong, 12th May 2006

**UNAUDITED CONSOLIDATED INCOME STATEMENT***For the three months ended 31st March 2006*

		<b>Unaudited</b>	
		<b>Three months</b>	
		<b>ended 31st March</b>	
		<b>2006</b>	2005
	<i>Note(s)</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenues	(2)	<b>45,830</b>	26,239
Other income		<b>332</b>	491
Net increase (decrease) in fair value of trading investments		<b>7,768</b>	(606)
Employee benefits expense		<b>(9,175)</b>	(6,757)
Depreciation of property, plant and equipment		<b>(524)</b>	(688)
Amortisation of trading rights		<b>(127)</b>	(127)
Commission expenses		<b>(19,169)</b>	(9,303)
Finance costs	(3)	<b>(7,754)</b>	(2,026)
Other operating expenses		<b>(7,373)</b>	(5,845)
Operating profit		<b>9,808</b>	1,378
Taxation	(4)	<b>-</b>	-
Profit for the period		<b>9,808</b>	1,378
Attributable to:			
Equity holders of the parent		<b>9,808</b>	1,378
Earnings per share ( <i>HK cents</i> )			
Basic	(5)	<b>3.9268</b>	0.5785
Diluted	(5)	<b>3.8720</b>	0.5744



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation of the financial statements

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

### 2. Revenues

Arising principally from the investment banking and financial services business, revenues comprise of the provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services; along with securities, futures and options broking and dealing.

	<b>Three months ended 31st March</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Brokerage commission from dealing in securities and futures and options contracts	<b>31,086</b>	16,822
Underwriting, sub-underwriting, placing and sub-placing commission	<b>269</b>	151
Arrangement, management, advisory and other fee income	<b>1,616</b>	3,380
Interest income from clients	<b>12,859</b>	5,886
	<b>45,830</b>	26,239

### 3. Finance costs

	<b>Three months ended 31st March</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	<b>4,796</b>	497
Interests on loans from ultimate holding company	<b>2,958</b>	1,529
	<b>7,754</b>	2,026

#### 4. Taxation

No provision for Hong Kong or overseas profits tax had been made in the financial statements as the assessable profits of individual company within the Group for the three months ended 31st March 2006 were offset by the unused tax losses (three months ended 31st March 2005: Nil).

As at 31st March 2006, the Group had estimated unused tax losses of HK\$149,651,000 (31st March 2005: HK\$168,254,000) to carry forward against future taxable income. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

#### 5. Earnings per share

The calculation of the basic earnings per share was based on the Group's unaudited profit attributable to equity holders of the parent of approximately HK\$9,808,000 for the three months ended 31st March 2006 (three months ended 31st March 2005: HK\$1,378,000) and the weighted average number of 249,759,227 (three months ended 31st March 2005: 238,154,999) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the three months ended 31st March 2006 was based on the Group's unaudited profit attributable to equity holders of the parent of approximately HK\$9,808,000 for the three months ended 31st March 2006 (three months ended 31st March 2005: HK\$1,378,000) and the weighted average number of 253,293,372 (three months ended 31st March 2005: 239,844,244) ordinary shares in issue during the period.

#### 6. Reserves

	Unaudited					
	Share premium	Capital reserve	Exchange reserve	Share options reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2005	-	123,758	-	-	8,676	132,434
Profit for the period	-	-	-	-	1,378	1,378
At 31st March 2005	<u>-</u>	<u>123,758</u>	<u>-</u>	<u>-</u>	<u>10,054</u>	<u>133,812</u>

	Unaudited					
	Share premium	Capital reserve	Exchange reserve	Share options reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2006	6,468	123,758	(61)	-	18,919	149,084
Exercise of share options	514	-	-	-	-	514
Share issue expenses	(1)	-	-	-	-	(1)
Recognition of equity-settled share-based payment	-	-	-	405	-	405
Profit for the period	-	-	-	-	9,808	9,808
<b>At 31st March 2006</b>	<b><u>6,981</u></b>	<b><u>123,758</u></b>	<b><u>(61)</u></b>	<b><u>405</u></b>	<b><u>28,727</u></b>	<b><u>159,810</u></b>





## INTERIM DIVIDEND

No dividends had been paid or declared by the Company for the three months ended 31st March 2006 (three months ended 31st March 2005: Nil).

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the three months ended 31st March 2006 or at any time during such period.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2006, the relevant interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

<b>Name of Directors</b>	<b>Nature of interests</b>	<i>Notes</i>	<b>Number of Shares interested</b>	<b>Approximate percentage of Shares interested</b> <i>(Note 1)</i>
Dr. Ho Hung Sun, Stanley	Corporate	2	7,384,651	2.95%
Mr. Ho, Lawrence Yau Lung	Corporate	3	165,163,008	65.96%
	Personal	5	491,057	0.20%
Dr. Lee Jun Sing	Corporate	4	6,299,702	2.52%
	Personal	5	491,057	0.20%

*Notes:*

1. As at 31st March 2006, the total number of issued shares of the Company was 250,415,778.
2. Dr. Ho Hung Sun, Stanley is taken to be interested in 7,384,651 Shares as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 2.95% of the issued share capital of the Company.

3. Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 Shares as a result of him being beneficially interested in approximately 35.44% of the issued share capital of Melco International Development Limited which in turn holds approximately 64.27% of the issued share capital of the Company; and (ii) 4,232,627 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.69% of the issued share capital of the Company.
4. Dr. Lee Jun Sing is taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 2.52% of the issued share capital of the Company.
5. The personal interests of the relevant Directors represent their respective derivative interests in the Company comprising the share options as more particularly mentioned in sub-section headed "Derivative interests in the Company" below.

## (ii) Derivative interests in the Company

Pursuant to the share option scheme adopted by the Company on 29th November 2001 ("Share Option Scheme") as described in the section headed "Details of outstanding options granted" below, as at 31st March 2006, the Directors of the Company have options granted by the Company to subscribe Shares in the Company as follows:

Name of Directors	Date of grant	Exercise price per Share HK\$	Number of underlying Shares comprised in the options outstanding as at 1st January 2006	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of underlying Shares comprised in the options outstanding	Expiry date
							as at 31st March 2006	
Mr. Ho, Lawrence Yau Lung	9th July 2002 (Note)	1.0	491,057	-	-	-	491,057	8th July 2012
Dr. Lee Jun Sing	9th July 2002 (Note)	1.0	491,057	-	-	-	491,057	8th July 2012

*Note:* The grant of options on 9th July 2002 pursuant to the Share Option Scheme had been reviewed and approved by the then Independent Non-executive Directors of the Company.

As at 31st March 2006, none of the Directors had exercised their options.



**(iii) Interests in shares and equity derivatives of Melco International Development Limited (“Melco”)**

<b>Name of Directors</b>	<b>Nature of interests</b>	<b>Number of shares of Melco interested</b>	<b>Number of underlying shares of Melco interested</b>	<b>Approximate percentage of shares of Melco interested</b> <i>(Note 1)</i>
Dr. Ho Hung Sun, Stanley	Corporate	7,298,456 <i>(Note 2)</i>	117,912,694 <i>(Note 4)</i>	10.79%
	Personal	22,749,278 <i>(Note 2)</i>	–	1.96%
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 <i>(Note 3)</i>	117,912,694 <i>(Note 4)</i>	44.98%
	Personal	7,232,612 <i>(Note 3)</i>		0.62%

*Notes:*

- As at 31st March 2006, the total number of issued shares of Melco is 1,160,401,374.
- Dr. Ho Hung Sun, Stanley is taken to be interested in 7,298,456 shares of Melco as a result of him being beneficially interested in the entire issued share capital of Sharikat Investments Limited, Dareset Limited and Lanceford Company Limited which in turn hold an aggregate of approximately 0.63% of the issued share capital of Melco. Apart from that, Dr. Ho Hung Sun, Stanley personally holds 22,749,278 shares of Melco.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in 115,509,024 shares of Melco as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 9.95% of the issued share capital of Melco. He is also taken to be interested in 288,532,606 shares of Melco as a result of him being interested in 65% of issued share capital of Better Joy Overseas Ltd. which in turn holds approximately 24.86% of the issued share capital of Melco. Apart from that, Mr. Ho, Lawrence Yau Lung personally holds 7,232,612 shares of Melco.
- Pursuant to an agreement dated 11th May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited and Melco, convertible loan notes of Melco in the total principal amount of HK\$1,175,000,000 were issued to Great Respect Limited on 5th September 2005 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares will be issued by Melco. Great Respect Limited is a company controlled by a discretionary family trust of Dr. Ho Hung Sun, Stanley, the beneficiaries of which are members of Dr. Ho Hung Sun, Stanley's family including Dr. Ho Hung Sun, Stanley, Mr. Ho, Lawrence Yau Lung and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.

Save as disclosed above, as at 31st March 2006, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2006, so far as is known to the Directors of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<i>Notes</i>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate shareholding percentage</b>
Melco Financial Group Limited	1	Beneficial owner	160,930,381	64.27%
Ms. Sharen Lo	2	Family	165,654,065	66.15%

*Notes:*

1. Melco Financial Group Limited is a wholly-owned subsidiary of Melco.
2. Ms. Sharen Lo is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in Shares in which Mr. Ho, Lawrence Yau Lung is interested in under the SFO.

Save as disclosed above, as at 31st March 2006, so far as is known to the Directors, there is no other person who had an interest or short position in the Shares and underlying Shares (including interests in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO.



## DETAILS OF OUTSTANDING OPTIONS GRANTED Share Option Scheme

As at 31st March 2006, options to subscribe for an aggregate of 2,969,064, 10,440,565 and 654,934 underlying Shares granted on 9th July 2002, 25th March 2004 and 15th March, 2006 (“Share Options”) pursuant to the Share Option Scheme at an exercise price of HK\$1.0 per Share, HK\$0.64 per Share and HK\$1.18 per Share respectively were outstanding.

The following are details of the outstanding Share Options as at 31st March 2006:

Categories of grantees	Date of grant	Exercise price per Share HK\$	Number of underlying Shares comprised in the options outstanding as at 1st January 2006	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of underlying Shares comprised in the options outstanding as at 31st March 2006	Share options duration
Directors of the Company	9th July 2002	1.0	982,114	-	-	-	982,114	9th July 2002 to 8th July 2012
Employees	9th July 2002	1.0	694,842	-	(264,552)	(24,552)	405,738	9th July 2002 to 8th July 2012
Employees	25th March 2004	0.64	8,900,565	-	(510,000)	-	8,390,565	25th March 2004 to 24th March 2014
Employees	15th March 2006	1.18	-	654,934	-	-	654,934	15th March 2006 to 14th March 2016
Other eligible persons	9th July 2002	1.00	1,581,212	-	-	-	1,581,212	9th July 2002 to 8th July 2012
Other eligible persons	25th March 2004	0.64	2,050,000	-	-	-	2,050,000	25th March 2004 to 24th March 2014
<b>Total</b>			<u>14,208,733</u>	<u>654,934</u>	<u>(774,552)</u>	<u>(24,552)</u>	<u>14,064,563</u>	

The options are exercisable in accordance with the terms of the Share Option Scheme at any time during the following periods and in the following manners:

<b>Exercisable period</b>	<b>Percentage of underlying Shares comprised in the options which become exercisable</b>
Commencing from the date of grant up to the date falling six months thereafter	Up to 50%
Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date of grant	All Shares in respect of which the option has not been previously exercised

Details of the grant of Share Options to the Directors are disclosed in the sub-section headed "Derivative interests in the Company" under the section of "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS" above.

A summary of the major terms of the Share Option Scheme is set out at pages 76-85 of the circular of the Company dated 12th November 2001.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the Rule 5.48 to 5.67 of the GEM Listing Rules for the three months ended 31st March 2006.

## **AUDIT COMMITTEE**

The Company's audit committee was formed on 14th March 2001 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Attorney Lorna Patajo-Kapunan and Mr. Sham Sui Leung, Daniel. The terms of reference of the audit committee have been established with regard to Rule 5.29 of the GEM Listing Rules. New terms of reference were adopted by the Company on 3rd August 2005 in compliance with code provision C.3.3 of the Code on Corporate Governance Practices.

The primary duties of the audit committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group. Other details of the role and function of the audit committee are available on the Company's website under the section "Corporate Governance".

The audit committee has reviewed this quarterly report of the Group.



## **OTHER BOARD COMMITTEES**

In addition to the audit committee, the Company has, on 3rd August 2005, set up the following board committees:

- (a) Executive Committee;
- (b) Remuneration Committee;
- (c) Nomination Committee;
- (d) Finance Committee; and
- (e) Regulatory Compliance Committee.

The above committees were formed to ensure maintenance of a high corporate governance standard. Memberships and terms of reference of these committees have been posted on the Company's website.

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

The Company has not redeemed any of its shares during the three months ended 31st March 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three months ended 31st March 2006.

## **COMPETING INTERESTS**

Dr. Ho Hung Sun, Stanley, the Chairman and an Executive Director of the Company, is also the chairman and a director of Seng Heng Bank Limited in Macau ("Seng Heng Bank"). As part of the business of Seng Heng Bank consists of securities brokerage and financial advisory services, the Directors believe that there is a potential risk that such part of business of Seng Heng Bank may compete with the investment banking business to be developed by the Group in Macau.

Save as disclosed above, as at 31st March 2006, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates had any business or interest in a business which competes or may compete with the business of the Group.