



VALUE CONVERGENCE HOLDINGS LIMITED  
滙盈控股有限公司

DELIVERING VALUE  
through excellence



BROKERAGE ASSET MANAGEMENT  
CORPORATE FINANCE

2007

1st Quarterly Report

## **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 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 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” or “Value Convergence”) for the three months ended 31st March 2007 (“the review period”), together with comparative figures of the corresponding period in 2006.

## **BUSINESS REVIEW**

Value Convergence is an established financial services group committed to delivering premier financial services and products that can fulfill the various investment and wealth management needs of its clients in the Greater China region. The Group’s expertise include 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.

With the brokerage business delivering better performance, the Group’s unaudited consolidated revenues increased by about 26% to approximately HK\$57.7 million for the three months ended 31st March 2007 (three months ended 31st March 2006: HK\$45.8 million). The increase in revenue was however offset by the loss from trading investments in the first quarter, marked against the outstanding results in the same period last year, resulting in a slight decline in profit before taxation of approximately 2.4%. After taking account of the tax provision of HK\$2 million made in the review period, the Group’s unaudited consolidated net profit for the three months ended 31st March 2007 was approximately HK\$7.5 million, about HK\$2.3 million less than that in 2006 (three months ended 31st March 2006: HK\$9.8 million).

Stepping into 2007, the financial services industry continued to grow robustly. Alongside a volatile market, the average daily turnover of the Hong Kong stock market in the first quarter of 2007 was approximately HK\$52.9 billion, about 69.6% and 18.3% more than the approximately HK\$31.2 billion in the same period in 2006 and the HK\$44.7 billion in the preceding quarter.

### **Brokerage**

During the three months ended 31st March 2007, the segment’s performance improved markedly as income from brokerage commission increased. Gross brokerage commission income increased by about HK\$5 million during the review period, approximately 16.1% higher than that in the same period in 2006, and net brokerage commission income increased by approximately 11%. The increases were the results of enhanced operating performance of the business and active trading conducted in the Hong Kong stock market during the review period. Overall, the broking segment recorded improved revenues and operating profit of approximately HK\$36.1 million and HK\$5.6 million respectively for the three months ended 31st March 2007 (three months ended 31st March 2006: approximately HK\$31.1 million and HK\$3.9 million respectively).

As for margin and other financing business, interest income grew approximately 14.8% from around HK\$12.9 million for the three months ended 31st March 2006 to HK\$14.8 million this review period, while net interest income increased at an even higher rate by about 42.1% as less external borrowings were required during the period. Overall, the Group's margin and other financing segment reported an operating profit of approximately HK\$4.6 million for the three months ended 31st March 2007, doubling the HK\$2.3 million registered for the corresponding period last year.

### **Corporate Finance and Others**

The Group's corporate advisory and related businesses, including asset management and trading investments, recorded revenues of approximately HK\$6.9 million and operating loss of approximately HK\$0.7 million during the three months ended 31st March 2007 (three months ended 31st March 2006: HK\$1.9 million and a profit of HK\$4.2 million respectively). The decline in performance mainly resulted from the less favourable performance in trading in investments.

### **Asset Management**

The establishment of a direct investment fund that focuses on opportunities in the leisure and entertainment sector of Macau and the Greater China Region is underway. This initiative will help to diversify the Group's product portfolio thus enhance its fee-based revenue stream and contribute to the overall financial performance of the Group starting in the next financial year. The operating results of this division for the review period are included in the Corporate Finance and Others segment.

## **OUTLOOK**

As expected, high market volatility was seen in the first quarter of the year. The Hang Seng Index, after reaching its historical high in January, nosedived in the last week of February and lost over 10% in several days, mainly attributable to worries on further tightening measures undertaken by the Chinese government and the slowdown of the U.S. economy.

Looking ahead however, investors' confidence will gradually return as such fears subside and in light of anticipated encouraging corporate results. However, caution is still required as the market may continue to experience high volatility.

Management is optimistic about the long-term prospects of the Group's financial services business. On a bolstered foundation, Value Convergence will continue to enhance its product and service offerings. It will also strive to expand market coverage in the Greater China region and realize business growth through strategic acquisitions and ultimately, generate greater returns to shareholders.

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

Hong Kong, 10th May 2007

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 31st March 2007

	Note(s)	Unaudited Three months ended 31st March	
		2007 HK\$'000	2006 HK\$'000
Revenue	(2)	<b>57,737</b>	45,830
Other income		<b>443</b>	332
Net (loss) gain on trading investments		<b>(968)</b>	7,768
Staff costs	(3)	<b>(27,663)</b>	(24,674)
Depreciation of property, plant and equipment		<b>(324)</b>	(524)
Amortisation of trading rights		<b>(127)</b>	(127)
Commission expenses		<b>(5,434)</b>	(3,670)
Finance costs	(4)	<b>(7,506)</b>	(7,754)
Other operating expenses		<b>(6,588)</b>	(7,373)
Profit before taxation		<b>9,570</b>	9,808
Taxation charge	(5)	<b>(2,103)</b>	–
Profit for the period		<b>7,467</b>	9,808
Earnings per share (HK cents)			
Basic	(6)	<b>2.94</b>	3.93
Diluted	(6)	<b>2.89</b>	3.87

## 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 ("HKICPA"). 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.

The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1st March 2006, 1st May 2006, 1st June 2006, 1st November 2006 and 1st January 2007. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented.

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

HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2008.

### 2. Revenue

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

	<b>Three months ended</b>	
	<b>31st March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Brokerage commission from dealing in securities and futures and options contracts	<b>36,098</b>	31,086
Underwriting, sub-underwriting, placing and sub-placing commission	<b>3,971</b>	269
Arrangement, management, advisory and other fee income	<b>2,910</b>	1,616
Interest income from clients	<b>14,758</b>	12,859
	<b>57,737</b>	45,830

### 3. Staff costs

	<b>Three months ended 31st March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Staff commission	<b>19,646</b>	15,500
Wages and salaries	<b>7,207</b>	8,440
Staff welfare	<b>291</b>	143
Recruitment costs	<b>1</b>	1
Unutilised annual leave	<b>-</b>	(4)
Pension costs – contributions to defined contribution plans	<b>267</b>	268
Forfeiture of pension contributions	<b>-</b>	(79)
Recognition of equity-settled share based payment	<b>251</b>	405
	<b>27,663</b>	24,674

### 4. Finance costs

	<b>Three months ended 31st March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	<b>4,138</b>	4,796
Interests on loans from ultimate holding company	<b>3,368</b>	2,958
	<b>7,506</b>	7,754

### 5. Taxation charge

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months ended 31st March 2007. The amount of taxation charged to the consolidated income statement represents:

	<b>Three months ended 31st March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current taxation		
– Hong Kong Profits Tax	<b>422</b>	–
Deferred taxation	<b>1,681</b>	–
	<b>2,103</b>	–

As at 31st March 2007, the Group had estimated unused tax losses of HK\$128,400,000 (31st March 2006: HK\$149,651,000) to carry forward against future taxation income. A deferred tax assets has been recognized in the consolidated financial statement in respect of HK\$6,285,000 (31st March 2006: HK\$8,546,000) to the extent that realization of the related tax benefit through future taxable profits is probable. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

## 6. Earnings per share

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

	<b>Three months ended 31st March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>7,467</b>	9,808
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>253,801</b>	249,759
Effect of dilutive potential ordinary shares:		
Share options	<b>4,528</b>	3,534
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>258,329</b>	253,293

## 7. Reserves

	<b>Unaudited</b>					
	<b>Share premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Share options reserve</b>	<b>Total</b>
	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
At 31st March 2006	<b>6,981</b>	<b>123,758</b>	<b>(61)</b>	<b>28,727</b>	<b>405</b>	<b>159,810</b>
	<b>Unaudited</b>					
	<b>Share premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Share options reserve</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	9,074	123,758	(240)	35,168	419	168,179
Exercise of share options	64	-	-	-	-	64
Recognition of equity-settled share based payment	-	-	-	-	251	251
Profit for the period	-	-	-	7,467	-	7,467
<b>At 31st March 2007</b>	<b>9,138</b>	<b>123,758</b>	<b>(240)</b>	<b>42,635</b>	<b>670</b>	<b>175,961</b>

## INTERIM DIVIDEND

No dividends had been paid or declared by the Company for the three months ended 31st March 2007 (three months ended 31st March 2006: Nil).

## ADVANCES TO ENTITIES – DISCLOSURE PURSUANT TO RULES 17.15 TO 17.17 OF THE GEM LISTING RULES

VC Brokerage Limited (“VC Brokerage”), a wholly owned subsidiary of the Company, has made advances to various entities primarily to subscribe for shares in companies under an initial public offer, and/or to trade listed securities on the Stock Exchange by way of securities margin financing, which are all in the ordinary and usual course of business of the company. Details of such advances as at 31st March 2007 are disclosed below:

<b>Clients</b>	<b>Approximate amount of account receivable as at 31st March 2007 (HK\$)</b>	<b>% of the latest published total assets of the Company as of 31st December 2006</b>	<b>% of advance to the latest published net assets value of the Company as of 31st December 2006</b>	<b>Collateral market value (excluding IPO stock) as at the date of advance (HK\$)</b>	<b>IPO stock concerned and number of times of over-subscription</b>
Entity A	172.8 million	24.9%	89.3%	0.2 million	CITIC 1616 Holdings Limited (962.5 times)
Entity H	99.0 million	14.2%	51.2%	0.1 million	CITIC 1616 Holdings Limited (962.5 times)
Entity AK	74.3 million				CITIC 1616 Holdings Limited (962.5 times)
	<u>0.7 million</u>				Margin Financing
	75.0 million	10.8%	38.8%	1.3 million	
Entity AN	74.3 million	10.7%	38.4%	0.06 million	CITIC 1616 Holdings Limited (962.5 times)
Entity AQ	86.7 million				CITIC 1616 Holdings Limited (962.5 times)
	<u>1.8 million</u>				Margin Financing
	88.5 million	12.7%	45.7%	22.5 million	

*Notes:*

All the above entities are independent of and not connected with the Company, its directors, chief executive and substantial shareholders and any of their respective associates (as defined in the GEM Listing Rules).

Entities A and H have previously been disclosed in the Company's announcements dated 5th January 2007 and 25th August 2006 and the repayment terms of the advances made to them were on demand. All advances including IPO financing were secured by the relevant securities to be listed under the relevant IPO, when allotted, and/or listed securities in the custody of VC Brokerage. The advances were made at an interest rate of not more than 12.75%.

Entities AK, AN and AQ have previously been disclosed in the Company's announcement dated 7th May 2007 and the repayment terms of the advances made to them were on demand. All advances including IPO financing were secured by the relevant securities to be listed under the relevant IPO, when allotted, and/or listed securities in the custody of VC Brokerage and were made to Entities AK, AN and AQ at interest rates of not more than 12.75%, 12.75% and 10.75% respectively. The interest rates disclosed represent the interest rates in respect of margin financing advances (if any) made to Entities AK, AN and AQ, and the interest rates in respect of IPO advances are significantly lower than the aforementioned rates. The financing period to Entities AK, AN and AQ in relation to the IPO of CITIC 1616 Holdings Limited was 6 days from the closing date of the IPO.

Entities AK, AN and AQ are high net worth individuals. Entity AK has been a client of VC Brokerage for more than three years. Entity AN has been a client of VC Brokerage for less than one year. Entity AQ has been a client of VC Brokerage for more than one year. All these entities have never defaulted in repayment of any advances made by VC Brokerage.

In respect of the advances made to Entities AK, AN and AQ, the Company has applied for and the Stock Exchange has granted waivers from strict compliance of Rules 17.17(3) and (4) on the disclosure of the identities of the Entities and the actual interest rates in relation to the advances made.

## **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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the three months ended 31st March 2007 or at any time during such period.

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

As at 31st March 2007, 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	2.91%
Mr. Ho, Lawrence Yau Lung	Corporate	(3)	165,163,008	65.06%
	Personal	(5)	491,057	0.19%
Dr. Lee Jun Sing	Corporate	(4)	6,299,702	2.48%
	Personal	(5)	491,057	0.19%
Mr. Patrick Sun	Personal	(5)	2,400,000	0.95%

*Notes:*

- As at 31st March 2007, the total number of issued shares of the Company was 253,860,179.
- 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 2.91% of the issued share capital of the Company.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 Shares as a result of him being beneficially interested in approximately 33.49% of the issued share capital of Melco International Development Limited which in turn holds approximately 63.39% 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 1.67% of the issued share capital of the Company.
- 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 2.48% of the issued share capital of the Company.
- 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 2007, the Directors 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 2007	Granted		Number of underlying Shares comprised in the options Lapsed/ outstanding as at 31st March 2007		Expiry date
				during the period	Exercised during the period	cancelled during the period	as at 31st March 2007	
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
Mr. Patrick Sun	27th December 2006 (Note)	1.292	2,400,000	-	-	-	2,400,000	26th December 2016

*Note:*

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

As at 31st March 2007, 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	3,127,107 <i>(Note 2)</i>	117,912,694 <i>(Note 4)</i>	9.86%
	Personal	18,587,789 <i>(Note 2)</i>	–	1.51%
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 <i>(Note 3)</i>	117,912,694 <i>(Note 4)</i>	42.49%
	Personal	7,232,612 <i>(Note 3)</i>	–	0.59%

*Notes:*

- As at 31st March 2007, the total number of issued shares of Melco was 1,228,150,716.
- Dr. Ho Hung Sun, Stanley was taken to be interested in 3,127,107 shares of Melco as a result of him being beneficially interested in the entire issued share capital of Lanceford Company Limited which in turn holds approximately 0.25% of the issued share capital of Melco. Apart from that, Dr. Ho Hung Sun, Stanley personally holds 18,587,789 shares of Melco.
- Mr. Ho, Lawrence Yau Lung was 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 9.41% of the issued share capital of Melco. He was 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 23.49% 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, the beneficiaries include 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 2007, 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 2007, so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<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	63.39%
Ms. Sharen Lo	2	Family	165,654,065	65.25%

*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 2007, so far as is known to the Directors, there is no other person who had an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO.

## DETAILS OF OUTSTANDING OPTIONS GRANTED

### Share Option Scheme

As at 31st March 2007, options to subscribe for an aggregate of (1) 2,127,342, (2) 7,503,065, (3) 654,934 and (4) 2,400,000 underlying Shares granted on (1) 9th July 2002, (2) 25th March 2004, (3) 15th March 2006 and (4) 27th December 2006 (“Share Options”) pursuant to the Share Option Scheme at an exercise price of (1) HK\$1.0 per Share, (2) HK\$0.64 per Share, (3) HK\$1.18 per Shares and (4) HK\$1.292 per Share respectively were outstanding. The following are details of the outstanding Share Options as at 31st March 2007:

Categories of grantees	Date of grant	Exercise price per Share HK\$	Number of underlying Shares comprised in the options outstanding as at 1st January 2007	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 2007	Share Options duration
Directors <sup>1</sup>	9th July 2002	1.0	982,114	-	-	-	982,114	9th July 2002 to 8th July 2012
Directors <sup>3</sup>	27th December 2006	1.292	2,400,000	-	-	-	2,400,000	27th December 2006 to 26th December 2016
Employees <sup>1</sup>	9th July 2002	1.0	24,942	-	-	-	24,942	9th July 2002 to 8th July 2012
Employees <sup>1</sup>	25th March 2004	0.64	5,723,065	-	-	-	5,723,065	25th March 2004 to 24th March 2014
Employees <sup>2</sup>	15th March 2006	1.18	654,934	-	-	-	654,934	15th March 2006 to 14 March 2016
Other eligible persons <sup>1</sup>	9th July 2002	1.0	1,130,107	-	-	(9,821)	1,120,286	9th July 2002 to 8th July 2012
Other eligible persons <sup>1</sup>	25th March 2004	0.64	1,900,000	-	(120,000)	-	1,780,000	25th March 2004 to 24th March 2014
<b>Total</b>			<b>12,815,162</b>	<b>-</b>	<b>(120,000)</b>	<b>(9,821)</b>	<b>12,685,341</b>	

#### Notes:

- Commencing from the date of grant up to the date falling six months thereafter, up to 50% of the shares comprised in the options can be exercised. Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date grant, all shares comprised in the options which were not previously exercised can be exercised.
- Commencing from the date of grant and ending 10 years after the date of grant, all shares comprised in the options can be exercised.
- Commencing from 27th December 2007 to 26th December 2016, up to 800,000 shares comprised in the options can be exercised. Commencing from 27th December 2008 to 26th December 2016, up to 1,600,000 shares comprised in the options which were not previously exercised can be exercised. Commencing from 27th December 2009 to 26th December 2016, all shares comprised in the options which were not previously exercised can be 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.

During the three months ended 31st March 2007, certain Share Options to subscribe for a total of 9,821 underlying Shares granted to one employee lapsed as the relevant employees failed to exercise the same within 3 months after the relevant employees ceased to be the employees of the Group. During the three months ended 31st March 2007, certain Share Options to subscribe for a total of 120,000 underlying Shares at an exercise price of HK\$0.64 per share respectively granted to a total of two employees were exercised. Since the date of the grant of the Share Options up to 31st March 2007, none of the Share Options was cancelled.

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**

During the three months ended 31st March 2007, 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 Rules 5.48 to 5.67 of the GEM Listing Rules for the three-month period ended 31st March 2007.

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to building and maintaining high standards of corporate governance. The Code on Corporate Governance adopted by the Group not only formalizes the Group’s existing corporate governance principles and practices but also ensures that the Group runs a highly transparent operation and is accountable to its shareholders.

On 3rd August 2005, the Company also set up the following board committees to ensure maintenance of a high corporate governance standard:–

- a. Executive Committee;
- b. Audit Committee (terms of reference of the audit committee adopted on 12th May 2004 were superseded by the new terms of reference adopted on 3rd August 2005);
- c. Remuneration Committee;
- d. Nomination Committee;
- e. Finance Committee; and
- f. Regulatory Compliance Committee.

Terms of reference of all the aforesaid committees have been posted on the Company’s website, as have (1) division of responsibilities between the Company’s Chairman and President and Vice Chairman and (2) duties and powers delegated to the Company’s President and Vice Chairman and matters reserved for decision of the board.

## **AUDIT COMMITTEE**

The Company's audit committee was formed on 14th March 2001 and is currently composed of a Non-executive Director and three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), Attorney Patajo-Kapunan, Lorna, Mr. Sham Sui Leung, Daniel and Mrs. Chu Ho Miu Hing. The terms of reference of the audit committee have been established with regard to Rule 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

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

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

The Company had not redeemed any of its shares during the three months ended 31st March 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the three months ended 31st March 2007.

## **COMPETING INTERESTS**

Dr. Ho Hung Sun, Stanley, the Chairman and a Non-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 2007, 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.