



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>



2006 3rd 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 and nine months ended 30th September 2006, together with comparative figures of the corresponding periods in 2005.

BUSINESS REVIEW

Value Convergence is an established investment banking group in Asia, committed to delivering premier financial services and products to fulfill the various investment and wealth management needs of its clients. It offers securities, futures and options brokerage services, private equity investment and asset management services, corporate finance advisory including initial public offerings related and mergers and acquisitions advisory services.

The Group’s unaudited consolidated revenue amounted to approximately HK\$31.9 million and HK\$125.7 million for the three months and nine months ended 30th September 2006 respectively (three months and nine months ended 30th September 2005: HK\$24.9 million and HK\$77.4 million respectively), marking an increase of approximately 28.1% and 62.3% respectively compared with corresponding periods in 2005. The Group’s unaudited consolidated profit attributable to shareholders amounted to approximately HK\$2.1 million and HK\$17.5 million for the three months and nine months ended 30th September 2006 respectively (three months and nine months ended 30th September 2005: HK\$1.0 million and HK\$3.4 million respectively), marking an increase of approximately HK\$1.1 million and HK\$14.1 million respectively compared with the corresponding periods in 2005. The improvement in the operating results during the nine months under review mainly came from improved operating performance of the brokerage business and trading investments. Owing to the increasingly competitive business environment, the Group is mindful of the need to improve operational efficiency and has exercised strict cost control measures amid efforts to explore investment opportunities conducive to future growth.

Entering 2006, outlook for the financial services industry took a positive turn. The Hang Seng Index started out at 14,876 and rose to 15,805 on 31st March 2006, climbing to 16,267 on 30th June 2006 and by 30th September 2006 reached 17,543. The average daily market turnover of the Hong Kong stock market during the third quarter of 2006 was approximately HK\$26.3 billion, marking an increase of 27.2% from that of the same period in 2005 (HK\$20.6 billion) but a decrease of 23% compared with that in the preceding quarter (HK\$34.1 billion).

Brokerage

In light of the market rally, the division enjoyed a significant improvement in its brokerage commission during the nine months ended 30th September 2006. Gross commission income increased by about HK\$26.6 million during the review period, showing a growth of 58.2% compared with the same period in 2005 while net brokerage commission income increased by 45.9%. Overall, the division recorded revenue and operating profit of HK\$72.4 million and HK\$3.3 million, respectively, during the nine months ended 30th September 2006 (nine months ended 30th September 2005: revenue of HK\$45.8 million and operating loss of HK\$6.0 million).

As a result of increased funding cost and a competitive market, net interest margin during the review period has narrowed. Interest income from margin and other finance-related businesses grew by about 112.2% to HK\$41.4 million (nine months ended 30th September 2005: HK\$19.5 million) while net interest income increased by 64.6%. Overall, the Group's margin and other finance-related businesses reported an operating profit of HK\$10.2 million for the nine months ended 30th September 2006 (nine months ended 30th September 2005: HK\$8.5 million).

In addition to a strong brokerage and margin financing business, the first nine months of the year also saw the division actively participating in underwriting and placement activities which brought in significantly improved income arising from service fees and underwriting commissions.

Corporate Finance and Others

Corporate advisory and related businesses, including underwriting, share placing and asset management, recorded a revenue of HK\$11.8 million and an operating profit of HK\$5.3 million (nine months ended 30th September 2005: revenue of HK\$12.1 million and operating profit of HK\$1.4 million). The division's operating profit also included a gain from trading investments of HK\$8.1 million during the nine months under review (nine months ended 30th September 2005: HK\$1.9 million).

Apart from the completion of a number of financial advisory deals, the division is also sponsoring several Mainland enterprises seeking listings in Hong Kong. IPO sponsorships will continue to be a major revenue driver of the division, and will create further business opportunities in underwriting and placement.

Asset Management

The Group's plans to establish a direct investment fund progressed smoothly during the review period. The fund will focus on opportunities in the leisure and entertainment sector of Macau and the Greater China Region. A separate real estates investment fund is also in the making and will primarily target investment projects in the burgeoning Macau property market. These initiatives will diversify the product portfolio and enhance the fee-based revenue of the Group. Contributions from these initiatives are expected in the next financial year. The operating results of this division during the nine months ended 30th September 2006 are included in the Corporate Finance and Others Division section.



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 also serves to assimilate the Group’s practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders.

OUTLOOK

The encouraging interim results of blue chip companies and the pause of U.S. interest rate hike has brought the Hang Seng Index to a six-year high. Impending initial public offerings scheduled for the last quarter of 2006 is expected to boost the buying sentiments and may further push the market upwards. On the other hand, geo-political turbulence in North Asia and the fluctuating oil prices still overshadow the global economic outlook. As a result, the stock market is likely to remain volatile. Despite testing market conditions and severe market competition, the management remains confident about the future development of the investment banking and financial services business. Accordingly, the Group will actively pursue new initiatives to expand its business portfolio and geographical coverage of services to fully prepare for any market challenges ahead.

By Order of the Board

Value Convergence Holdings Limited

Ho, Lawrence Yau Lung

President and Vice Chairman

Hong Kong, 13th November 2006



UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30th September 2006

	Note(s)	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30th September		30th September	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	(2)	31,900	24,906	125,665	77,440
Other income		496	1,462	1,763	3,125
Net increase in fair value of trading investments		944	2,679	8,101	1,947
Employee benefits expense		(6,876)	(7,165)	(22,855)	(21,523)
Depreciation of property, plant and equipment		(286)	(591)	(1,124)	(1,982)
Amortization of trading rights		(127)	(127)	(380)	(380)
Commission expenses		(9,050)	(10,147)	(47,047)	(28,392)
Finance costs	(3)	(7,054)	(3,025)	(23,146)	(8,413)
Other operating expenses		(7,887)	(6,987)	(23,507)	(18,428)
Operating profit		2,060	1,005	17,470	3,394
Income tax expense	(4)	-	-	-	-
Profit for the period		2,060	1,005	17,470	3,394
Attributable to:					
Equity holders of the parent		2,060	1,005	17,470	3,394
Earnings per share (HK cents)					
Basic	(5)	0.82	0.40	6.94	1.39
Diluted	(5)	0.80	0.40	6.79	1.37



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.

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 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006 respectively. The application of the new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments have been made.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK (IFRIC) – INT 8	Scope of HKFRS 2 ³
HK (IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1st January 2007

² Effective for annual periods beginning on or after 1st March 2006

³ Effective for annual periods beginning on or after 1st May 2006

⁴ Effective for annual periods beginning on or after 1st June 2006



2. Revenue

Arising principally from the investment banking and financial services business, revenue 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.

	Three months ended		Nine months ended	
	30th September		30th September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Brokerage commission from dealing in securities and futures and options contracts	16,244	16,255	72,399	45,767
Underwriting, sub-underwriting, placing and sub-placing commission	147	845	7,080	1,132
Arrangement, management, advisory and other fee income	1,490	1,090	4,731	11,004
Interest income from clients	14,019	6,716	41,455	19,537
	31,900	24,906	125,665	77,440

3. Finance costs

	Three months ended		Nine months ended	
	30th September		30th September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	3,776	476	13,570	2,353
Interests on loans from ultimate holding company	3,278	2,549	9,576	6,060
	7,054	3,025	23,146	8,413



4. Income tax expense

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 and nine months ended 30th September 2006 were offset by the unused tax losses (three months and nine months ended 30th September 2005: Nil).

As at 30th September 2006, the Group had estimated unused tax losses of approximately HK\$140,037,000 (30th September 2005: HK\$165,842,000) to carry forward against future taxation 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 and diluted earnings per share is based on the following data:

	Three months ended		Nine months ended	
	30th September		30th September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Earnings for the purposes of basic and diluted earnings per share	2,060	1,005	17,470	3,394
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	252,798	249,485	251,653	244,591
Effect of dilutive potential ordinary shares:				
Share options	5,379	2,665	5,700	3,902
Weighted average number of ordinary shares for the purposes of diluted earnings per share	258,177	252,150	257,353	248,493



6. Reserves

	Unaudited					Total HK\$'000
	Share premium	Capital reserve	Exchange reserve	Share Options reserve	Accumulated profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2005	-	123,758	-	-	8,676	132,434
Exercise of share options	6,475	-	-	-	-	6,475
Share issue expenses	(7)	-	-	-	-	(7)
Profit for the period	-	-	-	-	3,394	3,394
Exchange difference arising from translation of PRC subsidiary accounts	-	-	(61)	-	-	(61)
At 30th September 2005	<u>6,468</u>	<u>123,758</u>	<u>(61)</u>	<u>-</u>	<u>12,070</u>	<u>142,235</u>

	Unaudited					Total HK\$'000
	Share premium	Capital reserve	Exchange reserve	Share Options reserve	Accumulated profits	
	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	2,099	-	-	-	-	2,099
Share issue expenses	(2)	-	-	-	-	(2)
Recognition of equity-settled share based payment	-	-	-	405	-	405
Profit for the period	-	-	-	-	17,470	17,470
At 30th September 2006	<u>8,565</u>	<u>123,758</u>	<u>(61)</u>	<u>405</u>	<u>36,389</u>	<u>169,056</u>

INTERIM DIVIDEND

No dividends had been paid or declared by the Company for the nine months ended 30th September 2006 (nine months ended 30th September 2005: 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 30th September 2006 are disclosed below:

Clients	Approximate amount of accounts receivables as at	Repayment terms	Type of collateral	Interest rates	IPO stock concerned
	30th September 2006 (HK\$)				
Entity A	138.6 million	On demand	Listed securities	Not more than 13%	SPG Land (Holdings) Ltd, HannStar Board Int'l Holdings Ltd, Computime Group Limited and Shui On Land Limited
Entity H	45.5 million	On demand	Listed securities	Not more than 13%	Computime Group Limited, Lee Kee Holdings Limited and Margin financing

Notes:

The two entities are previously disclosed in the Company’s announcement on 25th August 2006. They are independent of and not connected with the Company, its directors, chief executive and the substantial shareholders and any of their respective associates (as defined in the GEM Listing Rules) of the Company.

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 nine months ended 30th September 2006 or at any time during such period.

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

As at 30th September 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")

Name of Directors	Nature of interests	Notes	Number of Shares interested	Approximate percentage of Shares interested (Note 1)
Dr. Ho Hung Sun, Stanley	Corporate	(2)	7,384,651	2.92%
Mr. Ho, Lawrence Yau Lung	Corporate	(3)	165,163,008	65.33%
	Personal	(5)	491,057	0.19%
Dr. Lee Jun Sing	Corporate	(4)	6,299,702	2.49%
	Personal	(5)	491,057	0.19%

Notes:

- As at 30th September 2006, the total number of issued shares of the Company was 252,797,679.
- 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 2.92% 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 interest in approximately 33.56% of the issued share capital of Melco International Development Limited which in turn holds approximately 63.66% 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 2.49% 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 30th September 2006, 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			Lapsed/ cancelled during the period	Number of underlying Shares comprised in the options outstanding		Expiry date
			as at 1st January 2006	Granted during the period	Exercised during the period		as at 30th September 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.

As at 30th September 2006, none of the Directors had exercised their options.

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

Name of Directors	Nature of interests	Number of shares of Melco interested	Number of underlying shares of Melco interested	Approximate percentage of shares of Melco interested <i>(Note 1)</i>
Dr. Ho Hung Sun, Stanley	Corporate	7,298,456 <i>(Note 2)</i>	117,912,694 <i>(Note 4)</i>	10.22%
	Personal	22,749,278 <i>(Note 2)</i>	–	1.86%
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 <i>(Note 3)</i>	117,912,694 <i>(Note 4)</i>	42.59%
	Personal	7,232,612 <i>(Note 3)</i>	–	0.59%

Notes:

- As at 30th September 2006, the total number of issued shares of Melco was 1,225,490,374.
- 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 0.60% 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 9.43% 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 23.54% 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 30th September 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 30th September 2006, so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	<i>Notes</i>	Capacity	Number of Shares held	Approximate shareholding percentage
Melco Financial Group Limited	1	Beneficial owner	160,930,381	63.66%
Ms. Sharen Lo	2	Family	165,654,065	65.53%

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 30th September 2006, 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 30th September 2006, options to subscribe for an aggregate of 2,137,163, 8,810,565 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 Shares respectively were outstanding. The following are details of the outstanding Share Options as at 30th September 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 30th September 2006	Share options duration
Directors	9th July 2002	1.0	982,114	-	-	-	982,114	9th July 2002 to 8th July 2012
Employees	9th July 2002	1.0	694,842	-	(645,348)	(24,552)	24,942	9th July 2002 to 8th July 2012
Employees	25th March 2004	0.64	8,900,565	-	(2,060,000)	(80,000)	6,760,565	25th March 2004 to 24th March 2014
Employees	15th March 2006	1.18	-	654,934	-	-	654,934	15th March 2006 to 14 March 2016
Other eligible persons	9th July 2002	1.00	1,581,212	-	(451,105)	-	1,130,107	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
Total			14,208,733	654,934	(3,156,453)	(104,552)	11,602,662	



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:

Exercisable period	Percentage of underlying Shares comprised in the options which become exercisable
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.

During the nine months ended 30th September 2006, certain Share Options to subscribe for a total of [104,552] underlying Shares granted to [2 employees] lapsed as the relevant employees failed to exercise the same within 3 months after the relevant employees ceased to be the employees of the Group. During the nine months ended 30th September 2006, certain Share Options to subscribe for a total of [1,096,453] and [2,060,000] underlying Shares at an exercise price of HK\$1.0 and HK\$0.64 per share respectively granted to a total of 42 employees were exercised. Since the date of the grant of the Share Options up to 30th September 2006, 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 nine months ended 30th September 2006, 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 nine months period ended 30th September 2006.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to building and maintaining high standards of corporate governance. The Group applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices (“HKSE Code”) contained in Appendix 15 of the GEM Listing Rules, with one deviation mentioned below, throughout the review period.

HKSE Code provision A.4.1 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 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.

On 3rd August 2005, the Company set up the following board committees and adopted its own code on corporate governance 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 the Independent Non-executive Directors. As at 30th September 2006, the Independent Non-executive Directors were Attorney Lorna Patajo-Kapunan, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kanhee, Anthony. 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 has not redeemed any of its shares during the nine months ended 30th September 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the nine months ended 30th September 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 30th September 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.