



VC GROUP  
滙盈集團

## Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 8101)

### FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2008

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

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

The board of directors (the “Board”) 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 2008, together with comparative figures of the corresponding period in 2007 or preceding quarter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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.

Affected by the sub-prime mortgage crisis in the US and China’s delay of the launch of the individual investment scheme (IIS), both of which hit the Hong Kong stock market, the Group’s unaudited consolidated revenues decreased by about 29.3% to approximately HK\$40.8 million for the three months ended 31st March 2008 (three months ended 31st March 2007: HK\$57.7 million). The Group’s unaudited consolidated net profit for the three months ended 31st March 2008 was approximately HK\$6.3 million, about HK\$1.2 million less than that in 2007 (three months ended 31st March 2007: a profit of HK\$7.5 million).

With the highly volatile market dampening investment sentiment, the average daily turnover of the Hong Kong stock market in the first quarter of 2008 was approximately HK\$98.7 billion, about 26.6% less than the approximately HK\$134.5 billion in the preceding quarter.

### **Brokerage**

For the three months ended 31st March 2008, gross brokerage commission income decreased by about HK\$9.3 million, approximately 25.8% less than that in the same period last year. Notwithstanding the decrease in commission income, net brokerage commission income increased by approximately 3.3% as a result of reduction in commission expenses. Overall, the broking segment recorded revenue and operating profit of approximately HK\$26.8 million and HK\$1.8 million respectively for the three months ended 31st March 2008 (three months ended 31st March 2007: approximately HK\$36.1 million and HK\$5.6 million respectively).

As for margin and other financing business, interest income decreased by approximately 17.8% from about HK\$14.8 million for the three months ended 31st March 2007 to HK\$12.1 million. The strong liquidity of the Group and large saving in interest expenses led to a 41.8% increase in net interest income for the period under review. Overall, the Group’s margin and other financing segment recorded an operating profit of

approximately HK\$7 million for the three months ended 31st March 2008, up by about HK\$2.4 million as compared with the corresponding period last year.

### **Corporate Advisory and Others**

As for corporate advisory and related businesses including underwriting, share placing and asset management, the segment recorded turnover of approximately HK\$1.9 million and operating loss of approximately HK\$2.8 million during the three months ended 31st March 2008 (three month ended 31st March 2007: HK\$6.9 million and a operating loss of HK\$0.7 million respectively). The decline in performance was mainly the result of a diminishing fund raising market during the review period.

### **Asset Management**

The Group is in the process of setting up a real estate private equity fund that will focus on development of residential properties in Macau. The Group, in partnership with a renowned international financial institution, will manage the fund. This initiative will diversify the Group's product portfolio and enhance its fee-based revenue stream, and in turn contribute to the overall financial performance of the Group in the near future.

### **OUTLOOK**

As expected, the stock market was highly volatile in the first quarter of 2008. The Hang Seng Index registered historical single-day drop and surge, falling 2,061 points on 22nd January 2008 and climbing 2,332 points on 23rd January 2008. Starting at 27,632 in the beginning of 2008, the Hang Seng Index eventually closed at 22,849 on 31st March 2008.

Looking ahead, the market is expected to continue to be filled with uncertainties bred by the US economic slowdown and the Chinese Government tightening its macroeconomic austerity measures. Nevertheless, the management remains optimistic about the long-term prospects of the Group's financial services business. With strong experience and managerial know-how in the financial service industry, the Group will continue to enhance its product and service offerings to cater for clients' diverse and growing needs. The Group will also actively pursue strategic acquisitions that can enable it to capture new business opportunities in the rapidly growing financial markets in the Greater China region and broaden its customer base, revenues and profit fundamentals, and ultimately improve shareholder value.

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

Hong Kong, 8th May 2008

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 31st March 2008

		Unaudited	
		Three months ended	
		31st March	
		2008	2007
	Note(s)	HK\$'000	HK\$'000
Revenue	(2)	<b>40,825</b>	57,737
Other income		<b>816</b>	443
Net (Loss) gain on trading investments		–	(968)
Staff costs	(3)	<b>(22,832)</b>	(27,663)
Depreciation of property, plant and equipment		<b>(492)</b>	(324)
Amortisation of trading rights		<b>(127)</b>	(127)
Commission expenses		<b>(1,061)</b>	(5,434)
Finance costs	(4)	<b>(3,353)</b>	(7,506)
Other operating expenses		<b>(5,808)</b>	(6,588)
		<hr/>	<hr/>
Profit before taxation		<b>7,968</b>	9,570
Taxation	(5)	<b>(1,650)</b>	(2,103)
		<hr/>	<hr/>
Profit for the period		<b>6,318</b>	7,467
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (HK cents)			
Basic	(6)	<b>1.71</b>	2.94
		<hr/> <hr/>	<hr/> <hr/>
Diluted	(6)	<b>1.69</b>	2.89
		<hr/> <hr/>	<hr/> <hr/>

## 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 2007 except as described below.

For the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), Amendments and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after 1st March 2007 and 1st January 2008. 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 and revised standards, amendments or interpretation after they have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretation will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)–Int 13	Customer loyalty programmes <sup>2</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 July 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1st July 2009.

## 2. Revenue

Revenue for the review period was principally derived from the financial services business comprising provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services; and securities, futures and options broking and dealing.

	<b>Three months ended</b>	
	<b>31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Brokerage commission from dealing in securities and futures and options contracts	<b>26,779</b>	36,098
Underwriting, sub-underwriting, placing and sub-placing commission	<b>340</b>	3,971
Arrangement, management, advisory and other fee income	<b>1,570</b>	2,910
Interest income from clients	<b>12,136</b>	14,758
	<b><u>40,825</u></b>	<b><u>57,737</u></b>

## 3. Staff costs

	<b>Three months ended</b>	
	<b>31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Staff commission	<b>14,336</b>	19,646
Wages and salaries	<b>7,391</b>	7,207
Staff welfare	<b>610</b>	291
Recruitment costs	<b>93</b>	1
Pension costs – contribution to defined contribution plans	<b>289</b>	267
Forfeiture of pension contributions	<b>(15)</b>	–
Equity-settled share-based payment	<b>128</b>	251
	<b><u>22,832</u></b>	<b><u>27,663</u></b>

#### 4. Finance costs

	Three months ended	
	31st March	
	2008	2007
	HK\$'000	HK\$'000
Interests on bank loans and overdrafts		
wholly repayable within five years	1,004	4,138
Interests on loans from ultimate holding company	2,349	3,368
	<u>3,353</u>	<u>7,506</u>

#### 5. Taxation

Hong Kong Profits Tax had been provided at the rate of 17.5% on the estimated assessable profit for the three months ended 31st March 2008. The amount of taxation charged to the consolidated income statement represents:

	Three months ended	
	31st March	
	2008	2007
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong Profits Tax	1,650	422
Deferred taxation	–	1,681
	<u>1,650</u>	<u>2,103</u>

As at 31st March 2008, the Group had estimated unused tax losses of HK\$126,583,000 (31st March 2007: HK\$128,399,000) to carry forward against future taxable income. A deferred tax assets of HK\$6,286,000 (31st March 2007: HK\$6,286,000) has been recognized 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

Basic and diluted earnings per share for the review period were calculated based on the following data:

	Three months ended 31st March	
	2008	2007
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>6,318</u>	<u>7,467</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	370,394	253,801
Effect of dilutive potential ordinary shares:		
Share options	<u>2,814</u>	<u>4,528</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>373,208</u>	<u>258,329</u>



## 7. Reserves

	Unaudited					Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Share options reserve HK\$'000	
	At 1st January 2007	9,074	123,758	(240)	35,168	
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-
Exercise of share options	64	-	-	-	-	64
Recognition of equity-settled share- based payment	-	-	-	-	251	251
Profit for the period	-	-	-	7,467	-	7,467
At 31st March 2007	<u>9,138</u>	<u>123,758</u>	<u>(240)</u>	<u>42,635</u>	<u>670</u>	<u>175,961</u>

  

	Unaudited					Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Share options reserve HK\$'000	
	At 1st January 2008	358,728	123,758	(537)	85,526	
Exchange difference arising on translation of foreign operation	-	-	(134)	-	-	(134)
Exercise of share options	367	-	-	-	-	367
Recognition of equity-settled share- based payment	-	-	-	-	128	128
Profit for the period	-	-	-	6,318	-	6,318
At 31st March 2008	<u>359,095</u>	<u>123,758</u>	<u>(671)</u>	<u>91,844</u>	<u>1,144</u>	<u>575,170</u>

## INTERIM DIVIDEND

No dividend had been paid or declared by the Company for the three months ended 31st March 2008 (three months ended 31st March 2007: Nil).

## SUPPLEMENTARY INFORMATION

As at 28th March 2008, HK\$3,281,000 was paid to the Executive Director and Chief Executive Officer of the Group, Mr. Patrick Sun as discretionary bonus for 2007.

## 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 2008 or at any time during such period.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2008, 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 (the "Shares")

Name of Directors	Nature of interests	Notes	Number of Shares interested	Approximate percentage of Shares interested
Dr. Ho Hung Sun, Stanley	Corporate	(2)	7,384,651	1.99%
Mr. Ho, Lawrence Yau Lung	Corporate	(3)	165,163,008	44.56%
	Personal	(5)	491,057	0.13%
Dr. Lee Jun Sing	Corporate	(4)	6,299,702	1.70%
	Personal	(5)	491,057	0.13%
Mr. Patrick Sun	Personal	(5)	2,400,000	0.65%

*Notes:*

1. As at 31st March 2008, the total number of issued shares of the Company was 370,637,451.
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 1.99% 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 33.46% of the issued share capital of Melco International Development Limited which in turn holds approximately 43.42% 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 1.14% 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 1.70% 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 "Interests in the equity derivatives of the Company" below.

**(ii) Interests in the equity derivatives of the Company**

Pursuant to the share option scheme adopted by the Company on 29th November 2001, certain Directors of the Company were granted options by the Company to subscribe for Shares. Movements of the options, which have been granted by the Company to the Directors, during the period are set out below:

Name of Director	Date of grant	Exercise price per Share HK\$	Number of shares options					Expiry date
			Outstanding as at 01.01.2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 31.03.2008	
Mr. Ho, Lawrence Yau Lung	09.07.2002	1.0	491,057	-	-	-	491,057	08.07.2012
Dr. Lee Jun Sing	09.07.2002	1.0	491,057	-	-	-	491,057	08.07.2012
Mr. Patrick Sun	27.12.2006	1.292	2,400,000	-	-	-	2,400,000	26.12.2016

During the period, none of the Directors exercised their options.

Save as disclosed above, as at 31st March 2008, 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 2008, 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>	<b>Notes</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate shareholding percentage</b>
Melco Financial Group Limited	(2)	Beneficial owner	160,930,381	43.42%
Melco International Development Limited	(2)	Held by controlled corporation	160,930,381	43.42%
Ms. Lo Sau Yan, Sharen	(3)	Family	165,654,065	44.69%
ASM Asia Recovery (Master) Fund	(4)	Beneficial owner	23,500,000	6.34%
Argyle Street Management Limited	(4)	Investment manager	27,000,000	7.28%
Argyle Street Management Holdings Limited	(4)	Held by controlled corporations	27,000,000	7.28%
Mr. Chan Kin	(4)	Held by controlled corporations	27,000,000	7.28%

### *Notes:*

- As at 31st March 2008, the total number of issued shares of the Company was 370,637,451.
- Melco International Development Limited (“Melco”) is taken to be interested in 160,930,381 Shares as a result of Melco being beneficially interested in the entire issued share capital of Melco Financial Group Limited.
- Ms. Lo Sau Yan, Sharen 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.
- 23,500,000 Shares are held by ASM Asia Recovery (Master) Fund directly as beneficial owner. Argyle Street Management Limited (“ASM”), as investment manager, through ASM Asia Recovery (Master) Fund and another managed fund, is indirectly interested in an aggregate of 27,000,000 Shares. ASM is a wholly-owned subsidiary of Argyle Street Management Holdings Limited (“ASM Holdings”) which is held by Mr. Chan Kin as to 44.45%. Accordingly, ASM Holdings and Mr. Chan Kin are taken to be interested in the 27,000,000 Shares held by ASM.

Save as disclosed above, as at 31st March 2008, so far as is known to the Directors, there is no other person who has an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 29th November 2001, the shareholders of the Company approved the adoption of a share option scheme (the “Share Option Scheme”) which superseded the previous share option scheme of the Company adopted on 14th March 2001. Pursuant to the Share Option Scheme, the Directors may, at their discretion, grant to any participants share options to subscribe for the Company’s shares, subject to the terms and conditions as stipulated therein. Movements of the share options during the period are as follows:

Categories	Date of grant	Exercise price per Share <i>HK\$</i>	Number of shares options					Outstanding as at 31.03.2008	Share options duration
			Outstanding as at 01.01.2008	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period			
Directors <sup>1</sup>	09.07.2002	1.00	982,114	-	-	-	982,114	09.07.2002 – 08.07.2012	
Directors <sup>2</sup>	27.12.2006	1.292	2,400,000	-	-	-	2,400,000	27.12.2006 – 26.12.2016	
Employees <sup>1</sup>	09.07.2002	1.00	24,942	-	-	-	24,942	09.07.2002 – 08.07.2012	
Employees <sup>1</sup>	25.03.2004	0.64	3,512,500	-	(680,000)	-	2,832,500	25.03.2004 – 24.03.2014	
Other eligible persons <sup>1</sup>	09.07.2002	1.00	378,513	-	-	-	378,513	09.07.2002 – 08.07.2012	
Other eligible persons <sup>1</sup>	25.03.2004	0.64	970,000	-	-	-	970,000	25.03.2004 – 24.03.2014	
Total			<u>8,268,069</u>	<u>-</u>	<u>(680,000)</u>	<u>-</u>	<u>7,588,069</u>		

*Notes:*

1. 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.
2. 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 of the Company are disclosed in the sub-section headed “Interests in the equity derivatives of the Company” under the section of “Directors’ Interests in Shares, Underlying Shares and Debentures” above.

In respect of the share options exercised during the three months ended 31st March 2008, the weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK\$1.58.

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

### **SHARE AWARD SCHEMES**

In March 2008, the Company established two share incentive award schemes, namely The VC Share Purchase Scheme Trust (the “Share Purchase Scheme”) and The VC Share Award Scheme Trust (the “Share Subscription Scheme”). Directors of the Company and any subsidiary and other connected persons will only be entitled to participate in the Share Purchase Scheme. The Shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognize the contributions of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group. During the three months period ended 31st March 2008, no awards were granted to any directors and employees of the Company or its subsidiaries under these two schemes.

Summaries of the major terms of the Share Purchase Scheme and the Share Subscription Scheme are set out in the announcement of the Company dated 31st March 2008.

## **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 confirmed that they 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 months period ended 31st March 2008.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to building and maintaining high standards of corporate governance. The Company has applied the principles and complied with all the requirements set out in the Code on Corporate Governance Practices the (the "HKSE Code") contained in Appendix 15 of the GEM Listing Rules, with one deviation mentioned below, throughout the three months ended 31st March 2008.

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

The Company has set up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Executive Committee;
- b. Audit Committee;
- 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.

## **AUDIT COMMITTEE**

The Company's audit committee was formed on 14th March 2001 and is currently composed of three Independent Non-executive Directors of the Company, namely, Dr. Tyen Kanhee, Anthony (Chairman), 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 the unaudited results of the Group for the three months ended 31st March 2008.

## **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 2008. 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 2008.

## **COMPETING INTERESTS**

Mrs. Chu Ho Miu Hing, an Independent Non-executive Director of the Company, is a director and a shareholder of Good Harvest Securities Company Limited ("Good Harvest"). As the business of Good Harvest consists of trading of Hong Kong securities, the Directors believe that there is a potential risk that such business may compete with the brokerage business of the Company.

Saving as disclosed above, as at 31st March 2008, 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.

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

<sup>#</sup> Executive Director

\* Non-executive Director

<sup>+</sup> Independent Non-executive Director

*This announcement will remain on the GEM Website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcement" page for at least 7 days from the date of its posting and on the website of the Company at [www.valueconvergence.com](http://www.valueconvergence.com).*