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VALUE CONVERGENCE HOLDINGS LIMITED

滙 盈 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

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

(Stock Code: 8101)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2005

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 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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 (the “Board”) of directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three and nine month periods ended 30th September 2005, together with comparative figures of the corresponding periods in 2004.

BUSINESS REVIEW

After disposing of its technology business, the Group turned to concentrate on its investment banking and financial services business. The results of operations for the nine month period ended 30th September 2005 (the “Review Period”) thus comprised only the results of the Group’s investment banking and financial services business, whereas the operation results for the nine month period ended 30th September 2004 consisted of results of both the investment banking and financial services business and technology business.

The Group’s business comprises a comprehensive range of premier financial services and products to fulfill clients’ different investment and wealth management needs. It handles securities, futures and options broking and dealings and also renders corporate finance advisory service, initial public offerings, mergers and acquisition advisory services. To realize its goal of becoming a full-fledged investment banking house, the Group has added asset management business to its portfolio. The new service is expected to become a stable income source of the Group in future.

Group

The Group’s unaudited consolidated turnover amounted to approximately HK\$24.9 million and HK\$77.4 million for the three and nine month periods ended 30th September 2005 respectively, a decrease of approximately 3.4% and 38.5% when compared with the respective periods in 2004 (three and nine month periods ended 30th September 2004: approximately HK\$25.8 million and HK\$125.9 million respectively). The Group’s unaudited consolidated profit attributable to shareholders amounted to approximately HK\$1.0 million and HK\$3.4 million respectively for the three and nine month periods ended 30th September 2005, an increase of approximately HK\$7.0 million and a decrease of approximately HK\$24.2 million from the respective periods in 2004 (three and nine month periods ended 30th September 2004: a loss of approximately HK\$6.0 million and a profit of approximately HK\$27.6 million respectively). Excluding the HK\$26.4 million extraordinary gain from the disposal of the Group’s technology business last year, the Group’s unaudited consolidated profit attributable to shareholders for the nine month period ended 30th September 2005 would be approximately HK\$2.2 million higher than that of the corresponding period in 2004.

Investment Banking and Financial Services Business

When solely looking at the investment banking and financial services business, the turnover for the three and nine month periods ended 30th September 2005 of approximately HK\$24.9 million and HK\$77.4 million represent decreases of approximately 3.4% and 15.1% over the respective periods in 2004 (approximately HK\$25.8 million and HK\$91.2 million for the three and nine month periods ended 30th September 2004). For the three and nine month periods ended 30th September 2005, this business segment recorded a profit before taxation of approximately HK\$1.0 million and HK\$3.4 million respectively (three and nine month periods ended 30th September 2004: a loss of approximately HK\$6.0 million and HK\$0.8 million respectively). The operating results of this business segment improved during the three and

nine month periods ended 30th September 2005. This was represented by the improved performance of the asset management division of the Group during the Review Period. However, this was affected by the operating performance of the brokerage business of the Group.

Brokerage

At the beginning of this year, as the property market revives and China relaxes its Individual Travellers Scheme bringing about strong tourist and consumer spending, the financial services industry saw rosy prospects. However, pressurized by interest rate hikes both in the US and Hong Kong, the impacts of the economic austerity measures enforced by the Mainland government and fluctuating global oil prices, the local capital market became highly volatile during the Review Period. The Hang Seng Index was high at 14230 at the beginning of 2005 and dropped to 13516 on 31st March 2005, then climbed back to close at 14201 on 30th June 2005 and further to 15428 on 30th September 2005. The average daily market turnover of the Hong Kong stock market in the first quarter of 2005 was approximately HK\$18.4 billion; it dropped 16% to approximately HK\$15.4 billion in the second quarter, and then climbed to approximately HK\$20.6 billion in the third quarter.

During the Review Period, besides subjected to the same factors affecting the local capital market, the operating performance of the Group's brokerage business was hampered by a number of other factors as well. Gross brokerage commission income fell approximately HK\$15.9 million during the nine month period ended 30th September 2005, approximately 25.8% lower than that of the same period last year. Net brokerage commission income fell by approximately 32.5% when compared with the same period last year. The drops were largely attributable to the lower market turnover of the China-related stocks, in which many clients of the Group's brokerage business invest. Furthermore, to cope with the increased market volatility and poor market sentiments, the Group tightened its credit control and money lending policies, which also partially explained the drop of commission income from brokerage business. Overall, the brokerage division recorded an operating loss of approximately HK\$6.0 million during the nine month period ended 30th September 2005 (nine month period ended 30th September 2004: approximately HK\$0.2 million).

During the Review Period, the Group lessened its involvement in underwriting and placing activities. The turnover attributable to such activities for the period was approximately HK\$1.1 million (nine month period ended 30th September 2004: approximately HK\$6.0 million).

Owing to higher funding cost, net interest margin fell during the Review Period. Therefore, even though the interest income from margin and other financing business grew from approximately HK\$16.5 million to HK\$19.5 million during the nine month period ended 30th September 2005 when compared with the same period last year (representing an increase of 18.1%), the net interest income received fell by approximately 1.8% as finance costs had increased by approximately the same amount during the period when compared with the same period last year. The Group's margin and other financing business achieved an operating profit of approximately HK\$8.5 million during the nine month period ended 30th September 2005 (nine month period ended 30th September 2004: approximately HK\$10.6 million).

Corporate Finance

During the Review Period, the corporate finance division executed a number of transactions, including acting as the sole sponsor and the lead manager of a few proposed listing applications on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for mainly Mainland Chinese enterprises. The successful location of these new clients was proof of the Group’s effective strategic expansion plan – the setting up of new offices in Shenzhen, Beijing and Shanghai – in China in the previous year. These transactions are expected to be completed in the fourth quarter of 2005 and will generate significant returns for the Group.

Asset Management

In January 2005, the Group obtained a license to operate asset management business from the Hong Kong Securities and Futures Commission, and a professional asset management service team was formed. We are currently studying the possibility of establishing investment funds to provide our clients with investment alternatives including investment opportunities in Macau and the Pearl River Delta. Besides giving clients more choices, an expanded product portfolio will also help to boost the Group’s revenues in the long run.

Corporate Governance

During the Review Period, the Group has promulgated a set of Code on Corporate Governance (“Code”) which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, Code Provisions and Recommended Best Practices set out in the Code on Corporate Governance Practices issued by the Hong Kong Stock Exchange (“HKSE Code”), which came into effect on 1st January 2005. In addition to formalizing existing corporate governance principles and practices, the Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code and ultimately ensuring high transparency and accountability to the Group’s shareholders.

OUTLOOK

We see a robust local stock market for the rest of 2005 given the continuous revival of the property market and strong tourist and consumer spending and the recent Renminbi appreciation. We will implement different initiatives to boost the Group’s ability to capture market opportunities and thrive in the still volatile market. Other than expanding our asset management business, we will capitalize on new business opportunities to expand our business platform and strengthen our market position.

Though the management anticipates possible short-term market volatility and hurdles on the path of expansion, the Group is optimistic about the longer-term prospects of its investment banking and financial services business. The Group will strive to achieve better financial results and returns for shareholders.

On Behalf of the Board
Value Convergence Holdings Limited
Ho, Lawrence Yau Lung
President and Vice Chairman

Hong Kong, 4th November 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and nine months ended 30th September 2005

	Note(s)	Unaudited Three months ended 30th September		Unaudited Nine months ended 30th September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	(2)	24,906	25,787	77,440	125,857
Cost of sales of computer hardware and software		–	–	–	(23,810)
Other revenues		1,462	1,426	3,125	4,030
Net realised/unrealised gain on financial assets at fair value through profit or loss		2,679	–	1,947	–
Net realised/unrealised loss on trading/holding of other investments		–	(6,688)	–	(6,363)
Staff costs and related expenses		(7,165)	(8,028)	(21,523)	(32,447)
Depreciation of fixed assets		(591)	(948)	(1,982)	(3,466)
Amortisation of trading rights		(127)	(127)	(380)	(380)
Commission expenses		(10,147)	(9,393)	(28,392)	(36,294)
Finance costs	(4)	(3,025)	(1,537)	(8,413)	(5,211)
Other operating expenses		(6,987)	(6,487)	(18,428)	(20,528)
Gain on disposal of subsidiaries (discontinuing operation)	(3)	–	–	–	26,384
Profit/(loss) before taxation		1,005	(5,995)	3,394	27,772
Taxation	(5)	–	–	–	–
Net profit/(loss) for the period		<u>1,005</u>	<u>(5,995)</u>	<u>3,394</u>	<u>27,772</u>
Attributable to:					
Equity holders of the Company		1,005	(5,995)	3,394	27,555
Minority interests		–	–	–	217
		<u>1,005</u>	<u>(5,995)</u>	<u>3,394</u>	<u>27,772</u>
Basic earnings/(loss) per share (HK cents)	(6)	<u>0.40</u>	<u>(2.52)</u>	<u>1.39</u>	<u>11.57</u>
Diluted earnings per share (HK cents)	(6)	<u>0.40</u>	<u>N/A</u>	<u>1.37</u>	<u>N/A</u>

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

These unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2004 except as described below.

In the current period, the Group has applied a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The Group has early adopted the HKFRS 3 “Business Combination”, HKAS 36 “Impairment of Assets” and HKAS 38 “Intangible Assets” in the financial statements for the year ended 31st December 2004.

The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based Payments

In the current period, the Group has applied HKFRS 2 “Share-based Payments” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the relevant vesting periods to the profit and loss account. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. In relation to share options granted before 1st January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and had not yet vested on 1st January 2005. As the share options granted on 6th April 2001 under the pre-IPO share option plan adopted by the Company on 14th March 2001 and the share options granted on 9th July 2002 and 25th March 2004 under the share option scheme adopted by the Company on 29th November 2001 are all vested as at 1st January 2005, therefore, these share options are not subject to the requirements of HKFRS 2.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. Prior to 1st January 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities” and “other investments” as appropriate. Investment securities are carried at cost less impairment losses (if any) while other investments are measured at fair value, with realised/unrealised gains or losses included in the profit and loss account. From 1st January 2005 onwards, the Group classifies and measures its debts and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “held-to-maturity financial assets” or “loans and receivables”. The classification depends on the purpose for which the assets are acquired. Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value, with changes in fair value recognised in profit or loss and equity respectively. Loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method.

2. Turnover

Turnover principally arises from the investment banking and financial services business (comprising, among others, provision of initial public offerings, mergers, acquisitions, and other corporate finance related advisory services; and securities, futures and options broking and dealing). The technology business has been disposed of on 31st May 2004 to its ultimate holding company and therefore the turnover for the three months and nine months ended 30th September 2005 reflects turnover for the investment banking and financial services business only.

	Three months ended 30th September		Nine months ended 30th September	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
(i) Investment banking and financial services				
Brokerage commission from dealing in securities, futures and options contracts	16,255	15,556	45,767	61,704
Underwriting, sub-underwriting, placing and sub-placing commission	845	2,633	1,132	6,038
Arrangement, management, advisory and other fee income	1,090	2,926	11,004	6,951
Interest income from clients	6,716	4,672	19,537	16,541
	24,906	25,787	77,440	91,234
(ii) Sales of technology solution systems and related services				
	–	–	–	34,623
	24,906	25,787	77,440	125,857

3. Discontinuing operation

The turnover, results and net assets involved in the disposal of the technology business as disclosed in the note (2) above are as follows:

	Period from 1st January 2004 to 31st May 2004 <i>HK\$'000</i>
Turnover	34,623
Operating expenses	<u>(32,432)</u>
Operating profit	2,191
Taxation	<u>–</u>
Profit after taxation	2,191
Minority interests	<u>(217)</u>
Profit attributable to shareholders	<u><u>1,974</u></u>
Net cash outflow from operating activities	(11,313)
Net cash outflow from investing activities	<u>(169)</u>
Total net cash outflow	<u><u>(11,482)</u></u>

As at 31st May 2004
HK\$'000

Non-current assets	1,411
Current assets	<u>53,091</u>
Total assets	54,502
Current liabilities	(52,769)
Minority interests	<u>(217)</u>
Net assets	<u><u>1,516</u></u>
Consideration (<i>Note</i>)	27,900
Net assets sold	<u>(1,516)</u>
Gain on disposal of discontinuing operation	<u><u>26,384</u></u>
The net cash outflow on disposal is determined as follows:	
Cash and cash equivalents in the business sold	<u>(2,489)</u>
Net cash outflow from disposal of discontinuing operation	<u><u>(2,489)</u></u>

Note: The consideration was satisfied by way of offsetting against the loans from ultimate holding company.

4. Finance costs

	Three months ended		Nine months ended	
	30th September		30th September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on bank loans and overdrafts wholly repayable within five years	476	289	2,353	1,269
Interests on loans from ultimate holding company and a fellow subsidiary	2,549	1,248	6,060	3,942
	<u>3,025</u>	<u>1,537</u>	<u>8,413</u>	<u>5,211</u>

5. Taxation

No provision for Hong Kong or overseas profits tax has been made in the accounts as the assessable profits of individual company within the Group for the three months and nine months ended 30th September 2005 were offset by the previously unrecognised tax losses (three months and nine months ended 30th September 2004: nil).

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has estimated unrecognised tax losses of approximately HK\$165,842,000 as at 30th September 2005 (30th September 2004: HK\$178,145,000) to carry forward against future taxation income.

6. Earnings/loss per share

The calculation of the basic earnings/loss per share is based on the Group's unaudited profit attributable to shareholders of approximately HK\$1,005,000 and HK\$3,394,000 for the three months and nine months ended 30th September 2005 respectively (three months and nine months ended 30th September 2004: loss of approximately HK\$5,995,000 and profit of approximately HK\$27,555,000 respectively) and the weighted average number of 249,484,704 and 244,590,662 ordinary shares (three months and nine months ended 30th September 2004: 238,154,999 and 238,154,999 ordinary shares) in issue during the respective periods.

The calculation of the diluted earnings per share for the three months and nine months ended 30th September 2005 is based on the Group's unaudited profit attributable to shareholders of approximately HK\$1,005,000 and HK\$3,394,000 respectively and the weighted average number of 252,150,094 and 248,493,165 ordinary shares in issue during the respective periods.

Diluted earnings per share has not been presented for the three months and nine months ended 30th September 2004 as the conversion of potential ordinary shares would have anti-dilutive effect to the basic earnings per share.

7. Reserves

	Unaudited				
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	(Accumulated losses)/ Retained profits <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2004	–	123,758	(25,579)	1,494	99,673
Profit attributable to shareholders	–	–	27,555	–	27,555
Exchange difference transferred to profit and loss account upon the winding up of an overseas subsidiary	–	–	–	(1,494)	(1,494)
Balance at 30th September 2004	<u>–</u>	<u>123,758</u>	<u>1,976</u>	<u>–</u>	<u>125,734</u>

	Unaudited				
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2005	–	123,758	8,676	–	132,434
Exercise of share options	6,475	–	–	–	6,475
Share issue expenses	(7)	–	–	–	(7)
Profit attributable to shareholders	–	–	3,394	–	3,394
Exchange difference arising on translation of accounts of a PRC subsidiary	–	–	–	(61)	(61)
Balance at 30th September 2005	<u>6,468</u>	<u>123,758</u>	<u>12,070</u>	<u>(61)</u>	<u>142,235</u>

INTERIM DIVIDEND

No dividends have been paid or declared by the Company during the nine months ended 30th September 2005 (nine months ended 30th September 2004: nil).

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the nine months ended 30th September 2005 or at any time during such period.

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

As at 30th September 2005, 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 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
Dr. Ho Hung Sun, Stanley	Corporate	(1)	7,384,651	2.96%
	Personal	(4)	735,000	0.29%
Mr. Ho, Lawrence Yau Lung	Corporate	(2)	4,232,627	1.70%
	Personal	(4)	1,226,057	0.49%
Dr. Lee Jun Sing	Corporate	(3)	6,299,702	2.52%
	Personal	(4)	3,627,567	1.45%

Notes:

1. 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 2.96% of the issued share capital of the Company.

2. Mr. Ho, Lawrence Yau Lung is taken to be interested in 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 1.70% of the issued share capital of the Company.
3. Dr. Lee Jun Sing is taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 2.52% of the issued share capital of the Company.
4. The personal interests of the relevant Directors represent their respective derivative interests in the Company comprising the physically settled options as more particularly mentioned in sub-section headed “Derivative interests in the Company” below.

(ii) Derivative Interests in the Company

Pursuant to the pre-IPO share option plan adopted by the Company on 14th March 2001 (“Pre-IPO Share Option Plan”) and the share option scheme adopted by the Company on 29th November 2001 (“Share Option Scheme”) as respectively described in the section headed “DETAILS OF OUTSTANDING OPTIONS GRANTED” below, as at 30th September 2005, the Directors of the Company have options granted by the Company to subscribe Shares in the Company as follows:

Name of Directors	Date of grant	Exercise price per Share HK\$	Number of underlying Shares comprised in the options outstanding as at 30th September 2005	Expiry date
Dr. Ho Hung Sun, Stanley	6th April 2001	3.6	735,000	8th October 2005
Mr. Ho, Lawrence Yau Lung	6th April 2001 9th July 2002 <i>(Note)</i>	3.6 1.0	735,000 491,057	8th October 2005 8th July 2012
Dr. Lee Jun Sing	6th April 2001 9th July 2002 <i>(Note)</i>	3.6 1.0	3,136,510 491,057	8th October 2005 8th July 2012

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

As at 30th September 2005, none of the Directors had exercised their options.

(iii) Interests in shares and equity derivatives of Melco International Development Limited (“Melco”), the Company’s ultimate holding company

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 5)</i>	11.12%
	Personal	22,749,278 <i>(Note 2)</i>	–	2.02%
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 <i>(Note 3)</i>	117,912,694 <i>(Note 5)</i>	46.36%
	Personal	5,432,612 <i>(Note 4)</i>	1,800,000 <i>(Note 4)</i>	0.64%

Notes:

- As at 30th September 2005, the total number of issued shares of Melco is 1,125,838,540.
- 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 0.65% 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 10.26% 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 77% of issued share capital of Better Joy Overseas Ltd. (“Better Joy”) which in turn holds approximately 25.63% of the issued share capital of Melco.

Dr. Ho Hung Sun, Stanley and Mr. Ho, Lawrence Yau Lung are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If their indirect shareholding interests in Melco’s shares through Better Joy are taken into account, Dr. Ho Hung Sun, Stanley and Mr. Ho, Lawrence Yau Lung are effectively interested in 8.56% and 30.48% of Melco’s shares.

- As at 30th September 2005, the personal interests of Mr. Ho, Lawrence Yau Lung consist of (a) his personal holding of 5,432,612 shares in Melco and (b) derivative interests in Melco in the form of 1,800,000 physically settled options granted on 19th February 2004, which may be executed at an exercise price of HK\$1.2025 per Melco’s share during the period from 19th February 2006 to 7th March 2012.

5. Pursuant to an agreement dated 11th May 2005 entered into between Great Respect Limited, Melco Entertainment Limited and Melco, Great Respect Limited has agreed to subscribe for convertible loan notes of Melco in the total principal amount of HK\$1,175,000,000 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares will be issued by Melco. Great Respect Limited is a company controlled by a discretionary family trust of Dr. Ho Hung Sun, Stanley, the beneficiaries of which are members of Dr. Ho Hung Sun, Stanley's family including Dr. Ho Hung Sun, Stanely, 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 2005, 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 2005, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or 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	Number of Shares held	Approximate shareholding percentage
Melco Financial Group Limited (<i>Note</i>)	160,930,381	64.46%

Note: The said 160,930,381 Shares were held by Melco Financial Group Limited, which is a wholly-owned subsidiary of Melco.

Save as disclosed above, as at 30th September 2005, so far as is known to the Directors or Chief Executive, 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

(i) Pre-IPO Share Option Plan

As at 30th September 2005, options to subscribe for an aggregate of 4,880,678 underlying Shares granted on 6th April 2001 (“Pre-IPO Share Options”) pursuant to the Pre-IPO Share Option Plan were outstanding. The following are details of the outstanding Pre-IPO Share Options as at 30th September 2005:

Categories of grantees	No. of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options	Exercise price per Share HK\$	Pre-IPO Share Options duration
Directors of the Company	4,606,510	3.6	6th April 2001 to 8th October 2005
Employees	274,168	3.6	6th April 2001 to 8th October 2005
Total	<u>4,880,678</u>		

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Plan 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 business day immediately following the first six months of the commencement of the trading of the Shares on GEM	Up to 50%
Commencing from the business day immediately following the first anniversary of the commencement of the trading of the Shares on GEM and ending approximately 4.5 years after the date of grant	All Shares in respect of which the option has not been previously exercised

Details of the grant of Pre-IPO Share Options to the Directors of the Company 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 2005, a Pre-IPO Share Option to subscribe for a total of 988,020 underlying Shares granted to 1 employee lapsed as the relevant employee failed to exercise the same within 3 months after the relevant employees ceased to be the employee of the Group. Since the date of the grant of the Pre-IPO Share Options up to 30th September 2005, none of the Pre-IPO Share Options was exercised or cancelled.

A summary of the major terms of the Pre-IPO Share Option Plan is set out at pages 184-186 of the Company's prospectus dated 23rd March 2001.

The Pre-IPO Share Option Plan lapsed with effect from 9th October 2005.

(ii) Share Option Scheme

As at 30th September 2005, options to subscribe for an aggregate of 3,267,989 and 12,150,565 underlying Shares granted on 9th July 2002 and 25th March 2004 ("Share Options") pursuant to the Share Option Scheme at an exercise price of HK\$1.0 per Share and HK\$0.64 per Share respectively were outstanding. The following are details of the outstanding Share Options as at 30th September 2005:

Categories of grantees	No. of underlying Shares to be issued upon the exercise of the Share Options	Exercise price per Share HK\$	Date of grant	Share Options duration
Directors of the Company	982,114	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	694,842	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	10,100,565	0.64	25th March 2004	25th March 2004 to 24th March 2014
Other eligible persons	1,591,033	1.0	9th July 2002	9th July 2002 to 8th July 2012
Other eligible persons	2,050,000	0.64	25th March 2004	25th March 2004 to 24th March 2014
Total	15,418,554			

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 of the Company 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 2005, certain Share Options to subscribe for a total of 444,502 underlying Shares granted to 6 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 2005, certain Share Options to subscribe for a total of 756,227 and 10,730,000 underlying Shares at an exercise price of HK\$1.0 and HK\$0.64 per share respectively granted to a total of 41 employees were exercised. Since the date of the grant of the Share Options up to 30th September 2005, 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

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 of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the Model Code for the nine months period ended 30th September 2005.

AUDIT COMMITTEE

The Company’s audit committee was formed on 14th March 2001 and is currently composed of the Independent Non-executive Directors of the Company. As at 30th September 2005, the Independent Non-executive Directors of the Company 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. New terms of reference were adopted by the Company on 3rd August 2005 in compliance with code provision C.3.3 of the Code on Corporate Governance Practices.

The primary duties of the audit committee are 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 results of the Group.

OTHER BOARD COMMITTEES

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

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

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

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

The Company has not redeemed any of its shares during the nine months period ended 30th September 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the nine months period ended 30th September 2005.

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 2005, 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.

This announcement will remain on the GEM Website at 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.