



VALUE CONVERGENCE HOLDINGS LIMITED
滙盈控股有限公司

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

(Stock Code: 8101)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 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 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 (the “Board”) of Directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2005, together with the unaudited comparative figures for the corresponding period in 2004.

BUSINESS REVIEW

The Group’s unaudited consolidated turnover and profit attributable to shareholders amounted to approximately HK\$26.2 million and HK\$1.4 million respectively for the three months ended 31st March 2005 (three months ended 31st March 2004: approximately HK\$55.7 million and HK\$9.0 million respectively), a decrease of approximately 53% and 85% respectively over the comparative period in 2004.

The Group completed the disposal of its technology business on 31st May 2004 and since then, focused its development on the investment banking and financial services business. Hence, the results of operations for the three months ended 31st March 2005 included only the results of the investment banking and financial services business while the three months ended 31st March 2004 included the results of both the investment banking and financial services business and the technology business.

The Group’s investment banking and financial services business primarily comprises brokerage (securities, futures and options broking and dealing) and investment banking (corporate finance advisory service, initial public offerings, mergers and acquisition advisory services), which offer a comprehensive range of premier financial services and products to fulfill our clients’ investment and wealth management needs. To pursue its objective in becoming a full-fledged investment banking house, the Group is participating in the asset management business which will eventually provide a stable stream of income to the Group.

During the review period, the local capital market had been slightly hindered by the continuous growth of interest rate in the US, the austerity measures taken by the Mainland government as well as the high volatility of the oil prices in the world. The Hang Seng Index had dropped from 14230 at the beginning of 2005 to close at 13516 on 31st March 2005, representing a drop of 5%. The average daily market turnover of the Hong Kong stock market including GEM for the three months ended 31st March 2005 was approximately HK\$18.4 billion (three months ended 31st March 2004: approximately HK\$19.7 billion), representing a drop of 6.8%. Nevertheless, supported by the resurgent property market and strong tourist and consumer spending driven by the Individual Visit Scheme in Hong Kong in the first quarter of 2005, the economic prospects for the local financial services industry generally looks robust.

However, the net interest margin had been narrowed due to the growth of funding rate during the review period. The net interest income generated from the clients of the Group decreased by approximately 20.5% as compared to the corresponding period in previous year. Further, during the review period, the total market turnover of the China related stocks had dropped, which made up to approximately 18% of that of the overall local stock market as compared to approximately 27% for the corresponding period in previous year. During the review period, a sizeable clientele of the Group holding such stocks was affected. In addition, in view of the increased market volatility and poor market sentiments, the Group has tightened its risk management measurements through the adoption of stricter credit control policies as well as more prudent and conservative money lending policies. All these had adversely affected the operating performance of the brokerage business during the review period. The net brokerage commission decreased by approximately 39.3% as compared to the corresponding period in previous year.

During the review period, the corporate finance division has been executing a number of corporate finance 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. The clients to these transactions are mainly Mainland Chinese enterprises. The success in locating these new clients is attributable to the implementation of our strategic expansion plan in China through the establishment of new offices in Shenzhen, Beijing and Shanghai respectively in previous year. We anticipate that these transactions will be completed in 2005, thereby generating a promising return to the Group.

In January 2005, the Group successfully obtained the licence to carry on the regulated activities in asset management from the Hong Kong Securities and Futures Commission. A team of asset management professionals has been recruited to build up the Group's asset management capability. We are currently studying the possibility of establishing investment funds. This aims to provide investment alternatives for our clients to capture the growing investment opportunities in Macau and the Pearl River Delta. It would help to enhance the Group's product choices for our clients and would boost our revenues in the long run.

During the three months ended 31st March 2005, turnover attributed to the investment banking and financial services business was approximately HK\$26.2 million as compared to approximately HK\$41.1 million for the three months ended 31st March 2004, representing a drop of approximately 36%. For the three months ended 31st March 2005, this business segment recorded a profit before taxation of approximately HK\$1.4 million (three months ended 31st March 2004: a profit of approximately HK\$9.0 million).

OUTLOOK

We expect that the local stock market will continue to be robust for the rest of 2005 given the resurgent property market and strong tourist and consumer spending driven by the Individual Visit Scheme in Hong Kong. In view of this, we will further implement other operational initiatives to place the Group in a more favourable position to weather the market volatility and capture the market opportunities. Other than the expansion of our asset management business, we shall seize every opportunity to explore new businesses so as to expand our business platform and strengthen our market position.

Amid possible short term market volatility and certain unavoidable obstacles along the road of expansion, management remains optimistic in the longer-term prospect of the investment banking and financial services business. The Group will strive to achieve better financial results and returns for shareholders.

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

Hong Kong, 13th May 2005

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note(s)</i>	Unaudited	
		Three months ended	
		31st March	
		2005	2004
		HK\$'000	<i>HK\$'000</i>
			As restated
Turnover	(2)	26,239	55,745
Cost of sales of computer hardware and software		–	(9,154)
Other revenues		491	1,011
Other (loss) income		(606)	1,400
Staff costs and related expenses		(6,757)	(11,147)
Depreciation of fixed assets		(688)	(1,319)
Amortisation of trading rights		(127)	(127)
Commission expenses		(9,303)	(17,211)
Finance costs		(2,026)	(2,124)
Other operating expenses		(5,845)	(8,054)
		<hr/>	<hr/>
Operating profit		1,378	9,020
Taxation	(4)	–	–
		<hr/>	<hr/>
Profit after taxation		1,378	9,020
Minority interests		–	–
		<hr/>	<hr/>
Profit attributable to shareholders		1,378	9,020
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (HK cents)	(5)	0.5785	3.7877
		<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share (HK cents)	(5)	0.5744	3.7868
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

The accounts 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 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 by the revaluation of financial assets at fair value through profit or loss.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has early adopted the Hong Kong Financial Reporting Standard No. 3 “Business Combination” (“HKFRS 3”), Hong Kong Accounting Standard No. 36 “Impairment of Assets” (“HKAS 36”) and Hong Kong Accounting Standard No. 38 “Intangible Assets” (“HKAS 38”) in the accounts for the year ended 31st December 2004.

From 1st January 2005, the Group has adopted all applicable new HKFRSs as set out below:

HKAS 1	Presentation of Financial Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipments
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of the new HKFRSs have no material impact to the accounts of the Group.

Under HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account and it applies to the share options that are granted after 7th November 2002 and have not yet vested at 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 at 1st January 2005, these share options are not subject to the requirements of the HKFRS 2. Therefore, the adoption of the HKFRS 2 has not resulted in a charge of employee options expenses to the profit and loss account. Details of the Company’s share option schemes are disclosed in the section of “Details of outstanding options granted” below.

2. Turnover

Turnover principally arises from the (i) 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); and (ii) technology business (comprising sales of technology solution systems and provision of related services to customers in Asia). The technology business has been disposed of on 31st May 2004 to its ultimate holding company and therefore the turnover for the three months ended 31st March 2005 reflects turnover for the investment banking and financial services business only.

	Three months ended 31st March	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
(i) Investment banking and financial services		
Brokerage commission from dealing in securities on SEHK and overseas exchanges; and futures and options contracts on HKFE	16,822	29,606
Underwriting, sub-underwriting, placing and sub-placing commission	151	2,073
Arrangement, management, advisory and other fee income	3,380	2,250
Interest income from clients	5,886	7,211
	26,239	41,140
(ii) Sales of technology solution systems and related services	–	14,605
	26,239	55,745

3. Discontinuing operation

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

	Three months ended 31st March 2004 HK\$'000
Turnover	14,605
Other revenues	3
Cost of sales of computer hardware and software	(9,154)
Staff costs and related expenses	(2,713)
Depreciation of fixed assets	(216)
Commission expenses	(114)
Other operating expenses	(1,603)
	<hr/>
Operating profit	808
Taxation	–
	<hr/>
Profit after taxation	<u>808</u>

4. 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 ended 31st March 2005 were offset by the previously unrecognized tax losses (three months ended 31st March 2004: nil).

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has estimated unrecognized tax losses of approximately HK\$168,254,000 as at 31st March 2005 (31st March 2004: HK\$251,453,000) to carry forward against future taxation income. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

5. Earnings per share

The calculation of the basic earnings per share is based on the Group's unaudited profit attributable to shareholders of approximately HK\$1,378,000 for the three months ended 31st March 2005 (three months ended 31st March 2004: a profit of approximately HK\$9,020,000, restated) and the weighted average number of 238,154,999 ordinary shares (31st March 2004: 238,154,999 ordinary shares) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's unaudited profit attributable to shareholders of approximately HK\$1,378,000 for the three months ended 31st March 2005 (three months ended 31st March 2004: a profit of approximately HK\$9,020,000, restated) and the weighted average number of 239,844,244 ordinary shares (31st March 2004: 238,213,412 ordinary shares) in issue during the period.

6. Reserves

	Unaudited			Total HK\$'000
	Capital reserve HK\$'000	Accumulated losses HK\$'000	Exchange reserve HK\$'000	
Balance at 1st January 2004	123,758	(25,579)	1,494	99,673
Profit attributable to shareholders	–	8,471	–	8,471
Balance at 31st March 2004, as previously reported	123,758	(17,108)	1,494	108,144
Effect of early adoption of HKFRS 3, HKAS 36 and HKAS 38 (<i>Note</i>)	–	549	–	549
Balance at 31st March 2004, as restated	<u>123,758</u>	<u>(16,559)</u>	<u>1,494</u>	<u>108,693</u>

Note: Following the early adoption of HKFRS 3 determined in the third quarter of 2004, certain figures previously reported in the first quarter of 2004 have been restated to conform to the change. The early adoption of HKAS 36 and HKAS 38 have no material impact to the accounts of the Group.

	Unaudited			Total HK\$'000
	Capital reserve HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	
Balance at 1st January 2005	123,758	8,676	–	132,434
Profit attributable to shareholders	–	1,378	–	1,378
Balance at 31st March 2005	<u>123,758</u>	<u>10,054</u>	<u>–</u>	<u>133,812</u>

INTERIM DIVIDEND

No dividends have been paid or declared by the Company during the three months ended 31st March 2005 (three months ended 31st March 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 three months ended 31st March 2005 or at any time during such period.

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

As at 31st March 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 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	<i>Notes</i>	Number of Shares interested	Approximate percentage of Shares interested
Dr. Ho Hung Sun, Stanley	Corporate	(1)	7,384,651	3.10%
	Personal	(4)	735,000	0.31%
Mr. Ho, Lawrence Yau Lung	Corporate	(2)	4,232,627	1.78%
	Personal	(4)	1,226,057	0.51%
Dr. Lee Jun Sing	Corporate	(3)	6,299,702	2.65%
	Personal	(4)	3,627,567	1.52%

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 3.10% 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 1.78% 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 2.65% 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 31st March 2005, the Directors of the Company have options granted by the Company to subscribe Shares in the Company as follows:

Name of Director	Date of grant	Exercise price per Share <i>HK\$</i>	Number of underlying Shares comprised in the options outstanding as at 31st March 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	3.6	735,000	8th October 2005
	9th July 2002 <i>(Note)</i>	1.0	491,057	8th July 2012
Dr. Lee Jun Sing	6th April 2001	3.6	3,136,510	8th October 2005
	9th July 2002 <i>(Note)</i>	1.0	491,057	8th July 2012

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

As at 31st March 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	3,649,228 <i>(Note 2)</i>	31,829,268 <i>(Note 3)</i>	7.59%
	Personal	11,374,639 <i>(Note 2)</i>	–	2.43%
Mr. Ho, Lawrence Yau Lung	Corporate	182,455,599 <i>(Note 4)</i>	19,565,216 <i>(Note 5)</i>	43.22%
	Personal	1,816,306 <i>(Note 6)</i>	1,800,000 <i>(Note 6)</i>	0.77%

Notes:

- As at 31st March 2005, the total number of issued shares of Melco is 467,382,054.
- Dr. Ho Hung Sun, Stanley is taken to be interested in 3,649,228 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 0.78% of the issued share capital of Melco. Apart from that, Dr. Ho Hung Sun, Stanley personally holds 11,374,639 shares of Melco.
- Two convertible notes respectively for the principal amounts of HK\$100 million and HK\$56 million carrying the respective rights to subscribe for new shares of Melco at an initial conversion price of HK\$4.00 and HK\$8.2 were issued by Melco to Sociedade de Turismo e Diversoes de Macau, S.A.R.L. (“STDM”) on 9th November 2004 and 8th February 2005 respectively pursuant to the First Agreement and the Second Agreement as disclosed in the announcements and the circulars of Melco respectively dated 13th September 2004, 11th October 2004, 23rd November 2004 and 5th January 2005. As at 31st March 2005, the total outstanding principal amount of the said convertible notes was HK\$156 million. If STDM exercises the conversion rights attached to the said convertible notes in full, a total of 31,829,268 shares of Melco will be issued to STDM. As Dr. Ho Hung Sun, Stanley’s direct and corporate interests in STDM is in excess of 30%, under the SFO, he is deemed to be interested in these 31,829,268 underlying shares of Melco.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in 57,754,512 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 12.36% of the issued share capital of Melco. He is also taken to be interested in 124,701,087 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 26.68% 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 9.35% and 33.29% of Melco's shares.

5. Two convertible notes respectively due 2005 and 2006 were issued by Melco to Better Joy on 9th June 2004 pursuant to the Mocha Acquisition Agreements as disclosed in the announcement and the circular of Melco respectively dated 19th March 2004 and 23rd April 2004. As at 31st March 2005, the total outstanding principal amount of the said convertible notes was HK\$45 million. If Better Joy exercises the conversion rights attached to the said convertible notes in full at the conversion price of HK\$2.30 per share, a total of 19,565,216 shares of Melco will be issued to Better Joy. As Mr. Ho, Lawrence Yau Lung is beneficially interested in 77% of issued share capital of Better Joy, under the SFO, he is deemed to be interested in these 19,565,216 underlying shares of Melco.

As mentioned above, 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 this is taken into account, Dr. Ho Hung Sun, Stanley and Mr. Ho, Lawrence Yau Lung are effectively interested in 4,500,000 underlying shares and 15,065,216 underlying shares of Melco.

6. As at 31st March 2005, the personal interests of Mr. Ho, Lawrence Yau Lung consist of (a) his personal holding of 1,816,306 shares in Melco and (b) derivative interests in Melco in the form of physically settled options granted on 19th February 2004, which may be executed, as to 900,000 options, during the period from 19th February 2005 to 7th March 2012 and as to the other 900,000 options, during the period from 19th February 2006 to 7th March 2012, at an exercise price of HK\$2.405 per Melco's share.

Save as disclosed above, as at 31st March 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 31st March 2005, so far as is known to the Directors of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Approximate shareholding percentage
Melco Financial Group Limited (Note)	160,930,381	67.57%

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 31st March 2005, 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

(i) Pre-IPO share option plan

As at 31st March 2005, options to subscribe for an aggregate of 5,868,698 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 31st March 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	1,262,188	3.6	6th April 2001 to 8th October 2005
Total	<u>5,868,698</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 three months ended 31st March 2005, none of the Pre-IPO Share Options lapsed. Since the date of the grant of the Pre-IPO Share Options up to 31st March 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.

(ii) **Share option scheme**

As at 31st March 2005, options to subscribe for an aggregate of 4,122,427 and 22,880,565 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 31st March 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	837,247	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	21,780,565	0.64	25th March 2004	25th March 2004 to 24th March 2014
Other eligible persons	2,303,066	1.0	9th July 2002	9th July 2002 to 8th July 2012
Other eligible persons	1,100,000	0.64	25th March 2004	25th March 2004 to 24th March 2014
Total	<u>27,002,992</u>			

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

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 three months ended 31st March 2005, certain Share Options to subscribe for a total of 346,291 underlying Shares granted to 5 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. Since the date of the grant of the Share Options up to 31st March 2005, none of the Share Options was exercised or 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.

ADVANCES TO AN ENTITY

During the year ended 31st December 2004, one of the Company's subsidiaries had made an advance to an entity in respect of which certain percentage ratios as specified in Chapter 19 of the GEM Listing Rules exceeded 8%. As such advance continued to exist as at 31st March 2005, details of such advance are required to be disclosed in accordance with Chapter 17 of the GEM Listing Rules and are as follows:

On 31st August 2004, VC Brokerage Limited (a wholly-owned subsidiary of the Company), as lender, had advanced a loan facility to an independent third party and not connected with the Directors, Chief Executive or substantial shareholders of the Group (the "Borrower"), in relation to an acquisition of a majority stake in a company listed on the main board of the Stock Exchange ("Target Company"), as well as the fulfilment of the obligations relating to the mandatory cash offers for all the then issued shares of the Target Company in accordance with the Hong Kong Code on Takeovers and Mergers. The securities of the loan facility provided by the Borrower included a personal guarantee from another independent third party, share mortgages over certain shares of the Target Company and certain shares of another company listed on the Singapore Stock Exchange and a charge over accounts. As at 31st March 2005, the outstanding principal amount of the loan facility was HK\$38 million which bore interest at the rate of three per cent. per annum over the prime rate and shall be fully repaid by the Borrower in mid-September 2005. The Directors are of the view that such loan facility provided by VC Brokerage Limited fall within the normal scope of financial services business of VC Brokerage Limited. Further details of the said loan facility had been disclosed in the announcement and the circular of the Company dated 3rd September 2004 and 18th October 2004 respectively.

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 31st March 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.

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 three months ended 31st March 2005. 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 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 31st March 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.

As at the date hereof, the executive directors of the Company are Dr. Stanley Ho, Mr. Lawrence Ho and Dr. Lee Jun Sing; the independent non-executive directors are Attorney Patajo-Kapunan, Lorna, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kanhee, Anthony.

This announcement will remain on the GEM Website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.valueconvergence.com.