



VALUE CONVERGENCE HOLDINGS LIMITED

匯盈控股有限公司

2003 FIRST QUARTERLY REPORT



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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



The board (the "Board") of directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three month period ended 31st December 2002, together with the unaudited comparative figures for the corresponding period in 2001.

HIGHLIGHTS

- Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 10th December 2002 and the approval from the Registrar of Companies in Hong Kong, the name of the Company was changed from iAsia Technology Limited and 亞洲網上交易科技有限公司 to Value Convergence Holdings Limited and 滙盈控股有限公司 respectively with effect from 13th January 2003.
- Completion of the acquisition of the entire issued share capital of three of the respective subsidiaries, namely VC CEF Brokerage Limited, VC CEF Futures Limited and VC CEF Capital Limited (collectively the "VC CEF companies") (formerly known as CEF Brokerage Limited, CEF Futures Limited and CEF Capital Limited respectively) from CEF Brokerage Holdings Limited and CEF Holdings Limited took place on 18th December 2002 (the "acquisition"). The consideration for the acquisition was satisfied by cash amounting to approximately HK\$117 million excluding the direct expenses in relation to the acquisition.
- Prior to the acquisition, the Group's principal revenue includes sales of front office trading and back office settlement systems and related support services. With the acquisition and the consequential diversification of businesses to securities, futures and options brokerage and trading on the Hong Kong and overseas stock exchanges, capital market and corporate finance advisory services, the revenue stream and the client bases have been broadened accordingly.
- Upon the completion of the acquisition, the Company announced that it would change its financial year end date from 30th September to 31st December from year 2003 onwards. Accordingly, the Company would issue its next annual report for the fifteen month period ended 31st December 2003.
- Turnover for the three month period ended 31st December 2002 amounted to approximately HK\$11.8 million, an increase of approximately five-fold over the corresponding period in 2001.
- Loss attributable to shareholders for the three month period ended 31st December 2002 amounted to approximately HK\$7.3 million, a decrease of approximately HK\$1 million over the corresponding period in 2001.
- The financial position of the Group remains healthy. As at 31st December 2002, the Group had cash of approximately HK\$50.8 million and the Group's gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 45%. Subsequent to the completion of the rights issue on 5th February 2003, the gearing will be reduced substantially.
- The Board does not recommend the payment of an interim dividend for the three month period ended 31st December 2002.

BUSINESS REVIEW

During the three month period ended 31st December 2002, the Group had successfully acquired the entire issued share capital of the respective VC CEF companies. The consideration for the acquisition, which was amounted to approximately HK\$117 million excluding the direct expenses in relation to the acquisition, was satisfied in cash. A deposit of HK\$10.5 million had been paid by the Group upon the signing of the sale and purchase agreement on 28th September 2002. A further sum of HK\$84 million was paid on 18th December 2002, being the date of completion of the acquisition ("Date of Completion"). Such amount was funded as to HK\$70 million from bank borrowings and the remaining from internal resources of the Group. The final installment of HK\$23 million had been paid on 22nd January 2003. Such final installment amount was arrived at after having regard to the net asset values of the VC CEF companies as shown on their unaudited management accounts as of the Date of Completion and may be subject to such further adjustment, if any, pending the finalization of the audited financial statements of the VC CEF companies as at the Date of Completion as disclosed on page 10 of the circular of the Company dated 16th November 2002.

The total consideration of the acquisition was funded as planned partly by internal resources of the Group and partly by the net proceeds of the rights issue of the Company of 1,020,664,287 rights shares at HK\$0.10 per rights share in the proportion of three rights shares for every two existing shares held with a bonus issue in the proportion of two bonus shares for every three subscribed and fully paid rights shares (collectively the "rights issue"). The rights issue was fully underwritten by Melco International Development Limited "Melco"), a company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited, and was completed on 5th February 2003. The net proceeds obtained from the rights issue was approximately HK\$97.6 million after direct expenses which was applied to repay the above bank borrowings of HK\$70 million and the relevant interest expense thereon.

Following the completion of the rights issue, the total number of issued ordinary shares of the Company had been increased from 680,442,858 shares to 2,381,549,999 shares of HK\$0.10 each as a result of the issue and allotment to the relevant subscribers of the rights issue an aggregate of 1,701,107,141 new shares comprising 1,020,664,287 rights shares and 680,442,854 bonus shares. Out of the said 1,701,107,141 new shares, an aggregate of 1,007,582,287 rights shares and 671,721,524 bonus shares were issued and allotted to Melco as underwriter of the rights issue, representing an aggregate of approximately 70.51% of the total issued share capital of the Company. As such, the Company has become a subsidiary of Melco.



Besides, upon the completion of the acquisition, the Group had diversified its principal activities from the provision of comprehensive online trading and related systems to financial institutions and intermediaries principally in Asia to securities, futures and options brokerage and trading on the Hong Kong and overseas stock exchanges, capital market and corporate finance advisory services offering a comprehensive range of quality financial services for a market focused on Hong Kong, Macau and PRC thereby generating new sources of income and complementing its existing technology business. With the Group's solid technology infrastructure and support, it is expected that the operation of VC CEF companies will be more rationalized to achieve better operational and cost efficiency, enabling it to expand faster and generate stronger returns.

Subsequent to the review period, the name of the Company was changed from iAsia Technology Limited and 亞洲網上交易科技有限公司 to Value Convergence Holdings Limited and 滙盈控股有限公司 respectively with effect from 13th January 2003. Such change of names were made pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 10th December 2002 and the approval from the Registrar of Companies in Hong Kong. Besides, upon the completion of the acquisition, the Company announced that it would change its financial year end date from 30th September to 31st December from year 2003 onwards. Accordingly, the Company would issue its next annual report for the fifteen month period ended 31st December 2003.

The Group's business development continues to proceed along with three main directions: expanding the revenue base of existing businesses profitably; continuously improving the quality of products and services and at the same time, increasing the products range; and exploring new business opportunities through organic growth or strategic acquisition.

Technology business

During the three month period ended 31st December 2002, the Group had uninterruptedly committed to carrying out research and development works so as to keep expanding its products range and improving its trading solutions services to cope with the stringent demands of both existing and potential clients. Amongst the new software products offered by the Group, the self-developed Foreign Exchange Margin Trading System and Mutual Fund Settlement System were respectively launched to the market in October 2002 and November 2002. The former helps clients to handle all data management, reporting, risk analysis, and client statements for portfolio management purposes and the latter helps to increase the efficiency of the clients' operations in respect of processing mutual fund activities. All these applications serve to assist clients in monitoring and managing their accounts more effectively as well as in the risk management.

In addition to the sales and licenses of the software products and provision of related services, during the three month period ended 31st December 2002, the Group had through its newly incorporated subsidiaries at the end of last financial year, namely Elixir Group Limited and Elixir Group (Macau) Limited, formed strategic alliances with certain world-famous hardware suppliers offering the clients with hardware solutions services that complement the Group's software products in Hong Kong, Macau and the Pearl Delta Region of PRC.

After the acquisition, the technology related system services remain an integral part of the overall business strategy of the Group. The Group intends to make full use of its existing technology platform to improve the operational and cost efficiency and to enhance the competitiveness of the investment banking business of the VC CEF companies following the acquisition. In the quarter ahead, thorough review of the Group's business operation will take place with a view to evaluating the position of each individual business unit and to effecting such necessary strategic and structural changes that would serve the best interest of the Group and the shareholders of the Company as a whole.

Brokerage and corporate finance businesses

As a result of the acquisition of VC CEF companies, the Group has expanded its business to securities, futures and options brokerage and trading on the Hong Kong and overseas stock exchanges, capital market and corporate finance advisory services. From the established position of the VC CEF companies in investment banking, corporate finance and brokerage, and with a proven track record, well-built infrastructure, strong management team and industry expertise, it is expected that the VC CEF companies could provide a solid and reliable foundation for the Group to become a premier regional investment banking group offering a comprehensive range of quality financial services for a niche market focusing on Hong Kong, Macau and PRC.

FINANCIAL REVIEW

Prior to the acquisition, the Group's principal revenue includes sales of front office trading and back office settlement systems and related support services. With the acquisition and the consequential diversification of businesses, the revenue stream and the client bases have been broadened accordingly.

Turnover for the three month period ended 31st December 2002 amounted to approximately HK\$11.8 million, representing approximately five-fold increase over the corresponding period in 2001 and approximately 14% increase over the total turnover for the year ended 30th September 2002. Online system sales and related support services remain as the core business of the Group during the three month period ended 31st December 2002, which had generated a turnover of approximately HK\$11 million, representing approximately 94% of the total turnover for this period. The significant increase of the turnover was largely attributable to the great effort made by the Group in the promotion of hardware solutions services that complement the Group's software products in Hong Kong, Macau and the Pearl Delta Region of PRC, amounted to approximately HK\$9.2 million, which represents approximately 78% of the total turnover for this period.



Loss attributable to shareholders for the three month period ended 31st December 2002 amounted to approximately HK\$7.3 million, representing a decrease of approximately HK\$1 million over the corresponding period in 2001.

Subsequent to the acquisition, the Group prepares to implement a wide range of pro-active measures to tightly manage all operating and capital expenditures of the enlarged group including headcount review and a series of cost control measures with an aim to achieve the most synergy from the acquisition. The financial position of the Group remains healthy. As a result of the acquisition, the capital structure of the Group was strengthened by reason of the cash reserves brought in by the VC CEF companies. As at 31st December 2002, the Group had cash of approximately HK\$50.8 million and the Group's gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 45%. As part of the net proceeds of the rights issue had already been applied to repay the relevant bank borrowings obtained for the acquisition, it is therefore expected that the gearing will be reduced substantially in the next quarter.

FUTURE PROSPECTS

The outlook of the Group is promising. In line with the acquisition, the Group will be able to participate in the investment banking business in the PRC, giving it another valuable business prospect. The Group aims to position itself to become a regional premier investment banking group offering a wide range of financial services for a niche market focusing on Hong Kong, Macau and PRC.

The directors will continue to actively explore new opportunities that can leverage on the Group's current businesses and sales network, including further acquisition of business that will enhance the Group's profitability when suitable opportunities arise.

UNAUDITED CONSOLIDATED FIRST QUARTERLY RESULTS

FOR THE THREE MONTH PERIOD ENDED 31ST DECEMBER 2002

		(Unaudited) Three month period ended 31st December	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	(2)	11,781	2,286
Cost of sales of hardware solutions		(8,761)	–
		3,020	2,286
Other revenues	(2)	55	244
Changes in work-in-progress		220	(220)
Staff costs		(5,121)	(5,022)
Depreciation		(2,235)	(2,359)
Amortisation of intangible assets		(110)	(585)
Provision for bad and doubtful debts		(118)	–
Commission expenses		(241)	(192)
Other operating expenses		(2,881)	(1,847)
Operating loss		(7,411)	(7,695)
Finance costs		(16)	(1)
Share of losses of associated companies		–	(568)
Loss for the period		(7,427)	(8,264)
Minority interests		141	–
Loss attributable to shareholders		(7,286)	(8,264)
Basic loss per share (HK cents)	(4)	(1.07)	(1.67)



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 Society of Accountants. They have been prepared under the historical cost convention.

2. Revenues and turnover

The Group is principally engaged in the provision of comprehensive online trading and related systems to financial institutions and intermediaries principally in Asia, broking and dealing for clients in securities and future and option contracts mainly on the Hong Kong Stock Exchange ("Stock Exchange") and Hong Kong Futures Exchange ("HKFE") and the provision of other related financial services including margin financing, securities underwriting, and placing, arrangement, management and advisory, and investment holding. Revenues recognised during the three month period ended 31st December 2002, together with the comparative figures for the corresponding period in 2001, are as follows:

	Three month period ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Online trading and back office system sales and related support services	11,041	2,286
Brokerage commission from dealing in securities on Stock Exchange and overseas exchanges and future and option contracts on HKFE	451	–
Arrangement, management, advisory and other fee income	24	–
Interest income from authorized institutions, clients and others	265	–
	<u>11,781</u>	<u>2,286</u>
Other revenues	55	244
Total revenues	<u>11,836</u>	<u>2,530</u>

3. Taxation

No provision for Hong Kong or overseas profits tax has been made in the accounts as the Group has no estimated assessable profits during the three month period ended 31st December 2002 (2001: HK\$Nil).

4. Loss per share

The calculation of the basic loss per share for the three month period ended 31st December 2002 is based on the Group's unaudited loss attributable to shareholders of approximately HK\$7,286,000 (three month period ended 31st December 2001: loss of approximately HK\$8,264,000) and the weighted average of 680,442,858 ordinary shares (three month period ended 31st December 2001: 495,963,121 ordinary shares) in issue during the three month period ended 31st December 2002.

Diluted loss per share has not been presented for the three month period ended 31st December 2002 and their corresponding period in 2001 as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic loss per share.

5. Reserves

	Three month period ended 31st December				2001 Total HK\$'000
	Share premium HK\$'000	Accumulated losses HK\$'000	Exchange reserves HK\$'000	Total HK\$'000	
At beginning of period	118,362	(130,103)	844	(10,897)	9,547
Premium on issue of shares	-	-	-	-	70,247
Expenses incurred in connection with issue of shares	-	-	-	-	(4,451)
Loss attributable to shareholders	-	(7,286)	-	(7,286)	(8,264)
Exchange differences arising on translation of accounts of an overseas subsidiary	-	-	(15)	(15)	176
At end of period	<u>118,362</u>	<u>(137,389)</u>	<u>829</u>	<u>(18,198)</u>	<u>67,255</u>



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three month period ended 31st December 2002 (2001: HK\$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 Group had a material interest, whether directly or indirectly, subsisted at the end of the three month period ended 31st December 2002 or at any time during such period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31st December 2002, the interests of the Directors and the chief executives of the Company in the share capital of the Company (the "Shares") or any of its associated corporations (within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they have taken or deemed to have under Section 31 of, or Part of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Note	Number of Shares held			Shareholding percentage	
		Personal	Family	Corporate	Other	
Dr. Ho Hung Sun, Stanley	(1)	-	-	73,846,513	-	10.85%
Dr. Lee Jun Sing	(2)	-	-	62,997,029	-	9.26%
Mr. Cheng Kar Shing, Peter	(3)	-	-	52,809,819	-	7.76%
Mr. Fung Hoo Wing, Thomas	(4)	-	-	52,809,819	-	7.76%
Mr. Ko Chun Fung, Henry	(5)	-	-	42,370,251	-	6.23%
Mr. Ho Yau Lung, Lawrence	(6)	-	-	42,326,273	-	6.22%

Notes:

1. Dr. Ho Hung Sun, Stanley will be taken to be interested in 73,846,513 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 10.85% of the issued share capital of the Company.
2. Dr. Lee Jun Sing will be taken to be interested in 62,997,029 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 9.26% of the issued share capital of the Company.

3. Mr. Cheng Kar Shing, Peter will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in the entire issued share capital of Potassium Corp. which in turn is beneficially interested in 50% of the issued share capital of Newtop Limited which in turn holds approximately 7.76% of the issued share capital of the Company. The 52,809,819 Shares represent the same interest held by Newtop Limited and are therefore duplicated between Mr. Fung Hoo Wing, Thomas and Mr. Cheng Kar Shing, Peter.
4. Mr. Fung Hoo Wing, Thomas will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in 33 $\frac{1}{3}$ % of the issued share capital of Kateman International Ltd. which in turn is beneficially interested in 50% of the issued share capital of Newtop Limited which in turn holds approximately 7.76% of the issued share capital of the Company.
5. Mr. Ko Chun Fung, Henry will be taken to be interested in 42,370,251 Shares as a result of him being beneficially interested in 51% of the issued share capital of Capital Speed Limited which in turn holds approximately 6.23% of the issued share capital of the Company.
6. Mr. Ho Yau Lung, Lawrence will be taken to be interested in 42,326,273 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 6.22% of the issued share capital of the Company.

(ii) Directors' rights to acquire shares 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 Share Options Granted" below, as at 31st December 2002, the Directors of the Company had share options granted by the Company to subscribe Shares in the Company as follows:

Name of Director	Date of grant	Exercise price	Number of underlying Shares comprised in the options outstanding as at	
			31st December 2002	Expiry date
		<i>HK\$</i>		
Dr. Ho Hung Sun, Stanley	6th April 2001	0.49	2,100,000	8th October 2005
Dr. Lee Jun Sing	6th April 2001	0.49	8,961,458	8th October 2005
	9th July 2002 (Note)	0.10	4,910,571	8th July 2012
Mr. Ko Chun Fung, Henry	6th April 2001	0.49	8,961,458	8th October 2005
	9th July 2002 (Note)	0.10	4,910,571	8th July 2012
Mr. Ho Yau Lung, Lawrence	6th April 2001	0.49	2,100,000	8th October 2005
	9th July 2002 (Note)	0.10	4,910,571	8th July 2012
Mr. Cheng Kar Shing, Peter	6th April 2001	0.49	2,100,000	8th October 2005

Note: The granting of options on 9th July 2002 pursuant to the Share Option Scheme was reviewed and approved by the independent non-executive Directors of the Company.



The options are exercisable in accordance with the terms of the Pre-IPO Share Option Plan and 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
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For options granted on 6th April 2001 pursuant to the Pre-IPO Share Option Plan:

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

For options granted on 9th July 2002 pursuant to the Share Option Scheme:

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

Other than as disclosed above, neither the Company nor any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors of the Company nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than as disclosed above, neither the Directors of the Company nor the chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, so far as the Directors were aware, the register of substantial shareholders maintained by the Group pursuant to section 16(1) of the SDI Ordinance disclosed the following companies and persons, other than a Director or a chief executive of the Company, as having an interest of 10% or more of the issued share capital of the Company are as follow:

Name	Number of Shares held	Shareholding percentage
Bailey Development Limited	73,846,513	10.85%

DETAILS OF OUTSTANDING SHARE OPTIONS GRANTED

(i) Pre-IPO Share Option Plan

As at 31st December 2002, options comprising an aggregate of 27,829,166 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:

Categories of grantees	Total no. of grantees	No. of underlying Shares comprised in the Pre-IPO Share Options	Exercise price per Share	Pre-IPO Share Options duration
			HK\$	
Directors of the Company	5 (Note)	24,222,916	0.49	6th April 2001 to 8th October 2005
Employees	3 (Note)	3,606,250	0.49	6th April 2001 to 8th October 2005
Total		<u>27,829,166</u>		

Note: The employees include, amongst others, Mr. Yuen Tien Yau, Gordon, a former executive Director of the Company who resigned on 26th July 2002. Notwithstanding his resignation, Mr. Yuen remains in the employment of a subsidiary of the Company as a director.

Details of the grant of Pre-IPO Share Options to the Directors of the Company are disclosed in the section headed "Directors' rights to acquire shares in the Company" above.

During the three month period ended 31st December 2002, certain Pre-IPO Share Options comprising a total of 1,477,083 underlying shares granted to one employee lapsed as the relevant employee failed to exercise the same within 3 months after the relevant employee ceased to be the employee of the Group. Since the date of the grant of the Pre-IPO Share Options up to 31st December 2002, none of the Pre-IPO Share Options was exercised.

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 December 2002, options comprising an aggregate of 48,614,657 underlying Shares granted on 9th July 2002 ("Share Options") pursuant to the Share Option Scheme were outstanding. The following are details of the outstanding Share Options:

Categories of grantees	Total no. of grantees	No. of underlying Shares comprised in the Share Options	Exercise price per Share	Share Options duration
			HK\$	
Directors of the Company	3 (Note)	14,731,713	0.10	9th July 2002 to 8th July 2012
Employees	35 (Note)	24,552,860	0.10	9th July 2002 to 8th July 2012
Other eligible persons	5	9,330,084	0.10	9th July 2002 to 8th July 2012
Total		<u>48,614,657</u>		

Note: The employees include, amongst others, Mr. Yuen Tien Yau, Gordon, a former executive Director of the Company who resigned on 26th July 2002. Notwithstanding his resignation, Mr. Yuen remains in the employment of a subsidiary of the Company as a director.

Details of the grant of Share Options to the Directors of the Company are disclosed in the section headed "Directors' rights to acquire shares in the Company" above.

During the three month period ended 31st December 2002, certain Share Options comprising a total of 491,057 underlying shares granted to one employee lapsed as the relevant employee failed to exercise the same within 3 months after the relevant employee ceased to be the employee of the Group. Since the date of the grant of the Share Options up to 31st December 2002, none of the Share Options was exercised.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of business of the Company were entered into or existed during the three month period ended 31st December 2002.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 comprising the independent non-executive Directors of the Company, Attorney Lorna Patajo-Kapunan and Mr. Tsui Yiu Wa, Alec. The terms of reference of the audit committee have been established with regard to Rules 5.23 and 5.24 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 period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three month period ended 31st December 2002.

COMPETING INTERESTS

Each of the Directors and the initial management shareholders of the Company (as defined in the prospectus of the Company dated 23rd March 2001 and the GEM Listing Rules) and their respective associates has confirmed that, none of them had any business or interest in a business which that competes or may compete with the business of the Group.

SPONSOR'S INTERESTS IN THE GROUP

First Shanghai Capital Limited and the Company have entered into a sponsor's agreement, pursuant to which, First Shanghai Capital Limited will receive a fee for acting as a sponsor under Rules 6.50 to 6.58 of the GEM Listing Rules for a term commencing from the date of commencement of the dealings in the shares of the Company on GEM (being 9th April 2001) and ending on the last day of the second full financial year after such listing. In the light of the change of the Company's financial year end date from 30th September to 31st December from year 2003 onwards and in accordance with Rule 6.01 of the GEM Listing Rules, the term of the sponsor's agreement shall be ended on 31st December 2003.



Pursuant to a non-binding memorandum of understanding dated 4th July 2000 (“Memorandum”) entered into between the Company and First eFinance Limited (“First eFinance”), a fellow subsidiary of First Shanghai Capital Limited, First eFinance has agreed to subscribe to the online financial trading services of the Company.

In addition, pursuant to a software license agreement and a maintenance service agreement both dated 23rd November 2001 (collectively “Agreements”) respectively entered into between iAsia Online Systems Limited, the Company’s wholly-owned subsidiary, and First eFinance, iAsia Online Systems Limited has agreed to grant to First eFinance a non-exclusive license to use its software for supporting securities trading and to provide First eFinance with the maintenance services of the software.

During the three month period ended 31st December 2002, the Group has charged First eFinance approximately HK\$Nil (2001: HK\$174,094) being the charges for the relevant services performed under the Memorandum and approximately HK\$12,000 (2001: HK\$100,000) being the payment of the license fee and the maintenance fee under the Agreements.

As at 31st December 2002, neither First Shanghai Capital Limited nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

By Order of the Board
Value Convergence Holdings Limited
HO Yau Lung, Lawrence
Executive Director

Hong Kong, 12th February 2003