



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


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



The board (the "Board") of Directors (the "Directors") of Value Convergence Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March 2004, together with the unaudited comparative figures for the corresponding period in 2003.

During the three months ended 31st March 2004, the Group achieved encouraging performance with both the investment banking and financial services business and the technology business, which have been turned around and reported profits.

Key financial highlights

- Turnover for the three months ended 31st March 2004 amounted to approximately HK\$55.7 million, an increase of approximately 215% over the corresponding period in 2003, and represented approximately 44% of the total turnover for the fifteen months ended 31st December 2003.
- The Group recorded profit attributable to shareholders of approximately HK\$8.5 million for the three months ended 31st March 2004, as compared to a loss of approximately HK\$17.4 million for the same period in 2003.

Business Review

Investment banking and financial services business

During the three months ended 31st March 2004, the market sentiments in both the HK and US markets have improved steadily and investors' sentiment has remained bullish. The Hang Seng Index has risen from 12,575 at the beginning of 2004 to close highest at 13,928 on 18th February 2004. However, the local stock market experienced a significant correction in March 2004 amidst the fear of interest hike in the U.S. The Hang Seng Index slid to close at 12,681 at end of March 2004, representing a drop of 9% from its highest closing of 13,928 on 18th February 2004.

The average daily market turnover of the Hong Kong stock market including GEM has gone up from around HK\$15 billion in the last quarter of 2003 to around HK\$20 billion during the three months ended 31st March 2004. The brokerage division has benefited from the increased stock market activities and has increased its market shares in the stock, futures and options markets by over 15%, 21% and 26 times respectively, while the investment banking division has completed several placement and IPO transactions during the period. In addition, the benefits arising from implementation of strategic and operational initiatives, including cost rationalization, taken after acquisition of this business in late 2002 have crystallized.

Turnover for the investment banking and financial services business amounted to approximately HK\$41.1 million for the three months ended 31st March 2004 (2003: HK\$8.7 million), an increase of 19% over the last quarter in 2003, and representing approximately 74% of the total turnover for this period. Also, profit before finance costs and taxation amounted to approximately HK\$9.2 million for the same period (2003: loss of approximately HK\$8.4 million).


Technology business

The Group's technology business, through iAsia Online Systems Limited ("iAsia Online"), provides comprehensive online trading and related systems and services to financial institutions and intermediates. During the first quarter of the year, iAsia Online has developed Bullion Deal Matching System, which was well received by the customers. In addition, the company has been improving and integrating the existing modules of online trading and related systems to better suit the customers' needs and the inclusion of the Bullion Deal Matching system has enhanced the comprehensiveness of the systems.

Through Elixir Group Limited ("Elixir") and its Macau subsidiary, the Group offered clients in Hong Kong, Macau and the PRC full range of hardware systems, system integration services and system network services that complement the Group's software products. During the first quarter of the year, Elixir continued to fulfill its service contracts signed in second half of 2003 with Sociedade de Jogos de Macau, S.A. ("SJM") and other customers. During this period, Elixir also expanded its clientele and entered into new service contracts with new third party customers. In view of the positive feedbacks from customers, Elixir is confident of securing additional service contracts from its customers in future.

Turnover for the technology business amounted to approximately HK\$14.6 million for the three months ended 31st March 2004 (2003: HK\$9 million), an increase of 7% over the last quarter in 2003, and representing approximately 26% of the total turnover for this period. Also, profit before finance costs and taxation amounted to approximately HK\$0.8 million for the same period (2003: loss of approximately HK\$6.9 million). The turn to profitability was primarily due to reduction in depreciation expenses because certain fixed assets were fully depreciated in 2003 and the increased business activities during this period.

On 19th March 2004, the Company entered into a conditional sale and purchase agreement with Melco International Development Limited ("Melco"), the Company's ultimate holding company, whereby the Company has conditionally agreed to sell and Melco has conditionally agreed to purchase the entire issued share capital of the iAsia Group which holds the technology business of the Group, for a consideration of HK\$27.9 million. The consideration will be settled in cash and sale proceeds will be used to repay a shareholder's loan owed by one of the Company's subsidiaries to Melco or one of its subsidiaries. The Company has agreed to guarantee to Melco that the net profit (after tax and minority interest) of the iAsia Group will not be less than HK\$4 million for the year ending 31st December 2004, failing which the Company will compensate the shortfall (up to a maximum of HK\$4 million) on a dollar for dollar basis. This disposal constitutes



a disclosable and connected transaction of the Company under the GEM Listing Rules. A circular with all the necessary details was prepared and sent to shareholders on 23rd April 2004. This disposal rationalizes the Group's business, enabling it to focus on investment banking and financial services. If independent shareholders' approval in relation to the transaction is obtained, the disposal is expected to complete at the end of May 2004.

Outlook

Although the investment banking and financial services business has benefited from the increased stock market activities in the first quarter of 2004, the stock market has become more volatile towards the end of the first quarter. We expect that the stock market will continue to experience higher volatility for the rest of 2004. Nevertheless, the implementation of the various initiatives to the Group's operations over the past year and the strengthening of the management team in the investment banking and financial services business have positioned the Group in a favourable position to weather the market volatility and capture market opportunities. The Group is setting up new offices in Beijing and Shanghai with the objective of expanding our financial service offerings to PRC entities.

The Group will strive to continue its success in the first quarter and achieve good financial results and returns for its shareholders.

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

11th May 2004

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS ENDED 31ST MARCH 2004

	Note	Three months ended 31st March	
		2004 HK\$'000	2003 HK\$'000
Turnover	(2)	55,745	17,665
Other revenues		1,011	380
Other income		1,400	–
Cost of inventories sold		(9,154)	(5,563)
Staff costs		(11,147)	(12,971)
Depreciation and amortisation		(1,995)	(3,714)
Commission expenses		(17,211)	(2,788)
Other operating expenses		(8,054)	(10,380)
Profit (loss) before finance costs and taxation		10,595	(17,371)
Finance costs		(2,124)	(143)
Profit (loss) before taxation		8,471	(17,514)
Taxation	(3)	–	–
Profit (loss) after taxation		8,471	(17,514)
Minority interests		–	95
Profit (loss) attributable to shareholders		8,471	(17,419)
Earnings (loss) per share (<i>HK cents</i>)	(4)		
Basic		3.557	(9.600)
Diluted		3.556	N/A

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.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. **Turnover**

Turnover principally arises from (i) the investment banking and financial services business, consisting of broking and dealing for clients in securities, futures and options contracts mainly on the Hong Kong Stock Exchange ("HKSE") and Hong Kong Futures Exchange ("HKFE") and provision of other related financial services including margin financing, securities underwriting, placing, advisory services and investment holding; and (ii) the technology business, consisting of sales of technology solution systems and related services to customers in Asia.

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 after offsetting accumulated tax losses during the three months ended 31st March 2004 (2003: nil). Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable.

4. **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\$8,471,000 (2003: loss of approximately HK\$17,419,000) and the weighted average number of 238,154,999 ordinary shares (2003: 181,451,429 ordinary shares, after adjustment of the number of shares in issue prior to the rights issue on 5th February 2003 by the factor of 1.36 and the share consolidation of every 10 shares to 1 share on 28th May 2003) in issue during this period.

The calculation of the diluted earnings per share for the three months ended 31st March 2004 is based on the Group's unaudited profit attributable to shareholders of approximately HK\$8,471,000 and the weighted average number of 238,213,412 ordinary shares in issue during this period.

Diluted loss per share for 2003 has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share.

5. Reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2003	118,362	(137,389)	829	(18,198)
Loss attributable to shareholders	–	(17,419)	–	(17,419)
Issue of bonus shares	(68,044)	–	–	(68,044)
Expenses incurred inconnection with issue of rights shares	(4,440)	–	–	(4,440)
Balance at 31st March 2003	<u>45,878</u>	<u>(154,808)</u>	<u>829</u>	<u>(108,101)</u>
	Capital reserve <i>HK\$'000</i>	Accumulated losses <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	–	8,471	–	8,471
Balance at 31st March 2004	<u>123,758</u>	<u>(17,108)</u>	<u>1,494</u>	<u>108,144</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March 2004 (2003: 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 during or at the end of the three months' period ended 31st March 2004.

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

As at 31st March 2004, 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 HKSE 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 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the HKSE, were as follows:

(i) Interests in shares of the Company ("Shares")

<u>Name of Directors</u>	<u>Nature of interests</u>	<u>Notes</u>	<u>Number of Shares interested</u>	<u>Approximate percentage of Shares interested</u>
Dr. Ho Hung Sun, Stanley	Corporate	(1)	7,384,651	3.10%
	Personal	(7)	735,000	0.31%
Mr. Ho Yau Lung, Lawrence	Corporate	(2)	4,232,627	1.78%
	Personal	(7)	1,226,057	0.51%
Dr. Lee Jun Sing	Corporate	(3)	6,299,702	2.65%
	Personal	(7)	3,627,567	1.52%
Mr. Ko Chun Fung, Henry	Corporate	(4)	4,237,025	1.78%
	Personal	(7)	3,627,567	1.52%
Mr. Cheng Kar Shing, Peter	Corporate	(5) & (8)	5,280,981	2.22%
	Personal	(7) & (8)	735,000	0.31%
Mr. Fung Hoo Wing, Thomas	Corporate	(6) & (8)	5,280,981	2.22%

Notes:

1. Dr. Ho Hung Sun, Stanley will be 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 Yau Lung, Lawrence will be 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 will be 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. Mr. Ko Chun Fung, Henry will be taken to be interested in 4,237,025 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 1.78% of the issued share capital of the Company.
5. Mr. Cheng Kar Shing, Peter will be taken to be interested in 5,280,981 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 2.22% of the issued share capital of the Company. The 5,280,981 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.
6. Mr. Fung Hoo Wing, Thomas will be taken to be interested in 5,280,981 Shares as a result of him being beneficially interested in 33 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 2.22% of the issued share capital of the Company.
7. 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.
8. Mr. Cheng Kar Shing, Peter and Mr. Fung Hoo Wing, Thomas retired as non-executive directors of the Company on 19th April 2004.



(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 2004, 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	Notes	Exercise price per Share HK\$	Number of underlying Shares comprised in the options outstanding as at 31st March 2004	Expiry date
Dr. Ho Hung Sun, Stanley	6th April 2001		3.6	735,000	8th October 2005
Mr. Ho Yau Lung, Lawrence	6th April 2001		3.6	735,000	8th October 2005
	9th July 2002	(1)	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	(1)	1.0	491,057	8th July 2012
Mr. Ko Chun Fung, Henry	6th April 2001		3.6	3,136,510	8th October 2005
	9th July 2002	(1)	1.0	491,057	8th July 2012
Mr. Cheng Kar Shing, Peter	6th April 2001	(2)	3.6	735,000	8th October 2005

Notes:

1. The grant of options on 9th July 2002 pursuant to the Share Option Scheme had been reviewed and approved by the independent non-executive Directors of the Company.
2. Mr. Cheng Kar Shing, Peter retired as non-executive director of the Company on 19th April 2004.


As at 31st March 2004, 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	Notes	Number of shares of Melco interested	Approximate percentage of shares of Melco interested
Dr. Ho Hung Sun, Stanley	Corporate	(1)	2,377,500	1.06%
	Personal	(1)	12,646,367	3.19%
Mr. Ho Yau Lung, Lawrence	Corporate	(2)	202,020,815	50.90%
	Personal	(3)	1,816,306	0.46%
	Personal	(3)	1,800,000	0.45%

Notes:

1. Dr. Ho Hung Sun, Stanley is taken to be interested in 2,377,500 shares of Melco as a result of him being beneficially interested in the respective entire issued share capitals of Sharikat Investments Ltd. and Dareset Ltd. which in turn hold an aggregate of approximately 1.06% of the issued share capital of Melco. Apart from that, Dr. Ho personally holds 12,646,367 shares of Melco.

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2. Mr. Ho Yau Lung, Lawrence 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 25.80% of the issued share capital of Melco. By reason of entering the Better Joy Sale Shares Agreement between Melco and Better Joy Overseas Ltd., which, subject to fulfillment of certain conditions, will be completed in May/ June 2004, and involves issue of Melco's shares as consideration, Mr. Lawrence Ho is taken to be interested in 144,266,303 potential shares of Melco as a result of him being beneficially interested in 77% of issued share capital of Better Joy.
 3. The personal interests of Mr. Ho Yau Lung, Lawrence comprises of his personal holding of 1,816,306 shares in Melco and derivative interests in Melco comprising the physically settled options which were granted on 19th February 2004 and may be executed, as for 900,000 options, during the period from 19th February 2005 to 7th March 2012 and as for 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 2004, 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 HKSE 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 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the HKSE.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2004, 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 Finance and Technology Limited (<i>Note</i>)	160,930,381	67.57%

Note:

The said 160,930,381 Shares were held by Melco Finance and Technology Limited, which is a wholly-owned subsidiary of Melco.

Save as disclosed above, as at 31st March 2004, 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 2004, options to subscribe for an aggregate of 9,740,208 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 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	5	8,478,020	3.6	6th April 2001 to 8th October 2005
Employees	3	1,262,188	3.6	6th April 2001 to 8th October 2005
Total	<u>8</u>	<u>9,740,208</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" 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 2004, none of the Pre-IPO Share Options lapsed. Since the date of the grant of the Pre-IPO Share Options up to 31st March 2004, 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 2004, options to subscribe for an aggregate of 27,368,925 underlying Shares ("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 to be issued upon the exercise of the Share Options	Exercise price per Share <i>HK\$</i>	Date of grant	Share Options duration
Directors of the Company	3	1,473,171	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	24	1,802,181	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	69	23,160,565	0.64	25th March 2004	25th March 2004 to 8th July 2012
Other eligible persons	5	933,008	1.0	9th July 2002	9th July 2002 to 8th July 2012
Total	<u>101</u>	<u>27,368,925</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 2004, certain Share Options to subscribe for a total of 19,642 underlying Shares granted to two 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 2004, 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.



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 months ended 31st March 2004.

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 2004, 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.