VALUE CONVERGENCE HOLDINGS LIMITED
滙盈控股有限公司

INTERIM REPORT 2003

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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 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 condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three month and six month period ended 31st March 2003, together with the unaudited comparative figures for the corresponding periods in 2002.

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, companies owned by Cheung Kong (Holdings) Limited and Canadian Imperial Bank of Commerce, 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.

- On 21st February 2003, the Company announced a proposal for capital reorganization under which, among other things, the nominal value of each of the issued existing shares of the Company will be reduced from HK$0.10 to HK$0.01 ("Share Capital Reduction"), every 10 adjusted shares of HK$0.01 each will be consolidated into one reorganized share of HK$0.10, and the amount standing to the credit of the share premium account of the Company together with such part of credit arising from the Share Capital Reduction will be applied towards the elimination of all accumulated loss of the Company as at the date of the relevant petition to the High Court of Hong Kong ("Court"). An extraordinary general meeting was held on 9th April 2003 during which, all relevant resolutions for, among other things, the said capital reorganization were passed by the shareholders. The petition for the Share Capital Reduction and the cancellation of the share premium account ("Petition") was made to the Court on 15th April 2003. The hearing date of the Petition is now fixed on 27th May 2003 and the Company will issue separate announcement informing shareholders about the effective date of the capital reorganization.

- Turnover for the six month period ended 31st March 2003 amounted to approximately HK$29.3 million, an increase of approximately six-fold over the corresponding period in 2002.

- Loss attributable to shareholders for the six month period ended 31st March 2003 amounted to approximately HK$24.7 million, a decrease of approximately HK$53.5 million over the corresponding period in 2002.

- The financial position of the Group remains healthy. As at 31st March 2003, the Group had cash of approximately HK$45.6 million and the Group's gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 7.9%.

- The Board does not recommend the payment of an interim dividend for the six month period ended 31st March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the six month period ended 31st March 2003, the Group had successfully acquired the entire issued share capital of the respective VC CEF companies. The consideration for the acquisition, which 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 then 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 expenses thereon.

Upon the completion of the acquisition, the Group has 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.

Besides, 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 was 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. In addition, 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 six month period ended 31st March 2003, 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 six month period ended 31st March 2003, the Group had through its newly incorporated subsidiaries at the end of last financial year, namely Elixir Group Limited and Elixir Group (Macau) Limited ("Elixir Group"), 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. The Elixir Group has, after a short period of business operation, successfully obtained certain prominent companies in Macau as its clients, such as Sociedade de Jogos de Macau, S.A. and Companhia de Electricidao de Macau – CEM, S.A..

After the acquisition, the technology related system services remain an integral part of the overall business strategy of the Group. Following the acquisition, the Group has started 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. Thorough review of the Group's business operations has been taken place with a view to evaluating the position of each individual business unit and to effecting necessary strategic and structural changes that would serve the best interest of the Group and shareholders of the Company. After inclusion of the VC CEF companies, the Group has implemented 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 maximum synergy from the acquisition.

Brokerage and corporate finance businesses

As a result of the acquisition of the 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. Such expansion of business constituted a material change to the general character or nature of business of the Group and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 10th December 2002.

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 six month period ended 31st March 2003 amounted to approximately HK$29.3 million, representing an increase of approximately six-fold over the corresponding period in 2002 and an increase of approximately three-fold over the total turnover for the year ended 30th September 2002. As the acquisition was only completed in mid-December 2002, online system sales and related support services remain as the core business of the Group during the six month period ended 31st March 2003, which had generated a turnover of approximately HK$20 million, representing approximately 68.3% 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, which generated a turnover of approximately HK$16 million, representing approximately 54.5% of the total turnover for this period.

Loss attributable to shareholders for the six month period ended 31st March 2003 amounted to approximately HK$24.7 million, representing a decrease of approximately HK$53.5 million over the corresponding period in 2002. However, there was a significant increase of approximately HK$17.4 million during the three month period ended 31st March 2003 as compared to that of previous quarter. There are several reasons underlying this performance.

Firstly, the inclusion of the operating loss generated from the VC CEF companies from mid-December 2002 to the accounts of the Group. Secondly, as mentioned in the section headed "Business review" above, since the acquisition of the VC CEF companies, the Group has reviewed each individual business unit to rationalize the business structure of the enlarged Group with an aim to achieve maximum synergy from the acquisition; as a result, certain staff cuts have taken place. The total redundancy costs involve approximately HK$2.5 million, including annual leaves compensation, payment in lieu of notices and severance payments for those staff.

Thirdly, due to continuous sluggish global economy, the Group has decided to trim down the business in the United Kingdom, significant costs in staff cuts, contracts termination and assets written off, which amounted to approximately HK$2.4 million, were provided in the accounts for the three month period ended 31st March 2003.

Fourthly, since the acquisition of the VC CEF companies, the Group has centralized VC CEF companies' head office and two branches. Removal costs and other expenses amounted to approximately HK$0.8 million. However, such arrangement will create cost savings for the Group of approximately HK$6.3 million on an annual basis, the full benefit of which will be reflected in subsequent profit and loss accounts. It is further anticipated that the consolidated operating expenses will be lowered by an amount of approximately HK$13.7 million on an annual basis in addition to the savings of premises costs after implementing more rational cost control measures in the quarter ahead.

Segmental performance

Segmental information is presented in respect of the Group's business segments. Since the acquisition of the VC CEF companies during the six month period ended 31st March 2003, the Group's businesses are reclassified into online trading and back office system sales and related support services, securities brokering and dealing, futures and options dealing, and capital market and corporate finance services. The activities of the business segments were mainly based in Hong Kong and Macau. The Group presented its segmental information based on the nature of their operations and the products they produced.

Liquidity and financial resources

The Group financed its operations primarily by its cash revenues derived from operating activities, suppliers' credit and short term bank loans. As at 31st March 2003, the Group had an aggregate banking facilities of approximately HK$110 million. Of these banking facilities, HK$30 million was secured by margin clients' listed securities. As at 31st March 2003, the Group had utilized approximately HK$8 million of the secured short term bank loan and approximately HK$8.2 million of unsecured short term bank loan. The secured short term bank loan was secured by certain margin clients' listed securities with market value of approximately HK$13.4 million as at 31st March 2003, which were held by the Group as collateral security against the margin clients receivable balance. Further, out of the above aggregate banking facilities, an amount of HK$70 million was guaranteed by the Company.

Capital structure

During the six month period ended 31st March 2003, the Company had allotted and issued an aggregate of 1,701,107,141 new shares comprising 1,020,664,287 rights shares and 680,442,854 bonus shares. Following the completion of the rights issue and the bonus issue, as at 31st March 2003, the total number of issued ordinary shares of the Company had been increased to 2,381,549,999 shares of HK$0.10 each (30th September 2002: 680,442,858).

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. Subsequently, on 3rd March 2003, Melco sold a total of 70,000,000 shares in the Company to an independent third party with a view to maintaining the 20% public float requirement of the shares of the Company under the GEM Listing Rules. As a result and as at 31st March 2003, Melco held an aggregate of 1,609,303,811 shares, representing approximately 67.57% of the total issued share capital of the Company. Since 5th February 2003, being the date of completion of the rights issue and bonus issue, the Company has become a subsidiary of Melco.

On 21st February 2003, the Company announced a proposal for capital reorganization under which, among other things, the nominal value of each of the issued existing shares of the Company will be reduced from HK$0.10 to HK$0.01 ("Share Capital Reduction"), every 10 adjusted shares of HK$0.01 each will be consolidated into one reorganized share of HK$0.10, and the amount standing to the credit of the share premium account of the Company together with such part of credit arising from the Share Capital Reduction will be applied towards the elimination of all accumulated loss of the Company as at the date of the relevant petition to the High Court of Hong Kong ("Court"). An extraordinary general meeting was held on 9th April 2003 during which, all relevant resolutions for, among other things, the said capital reorganization were passed by the shareholders. The relevant petition for the Share Capital Reduction and the cancellation of the share premium account ("Petition") was made to the Court on 15th April 2003. The hearing date of the Petition is now fixed on 27th May 2003 and the Company will issue separate announcement informing shareholders about the effective date of the capital reorganization.

As at 31st March 2003, other than the trust accounts, the Group's shareholders' funds was approximately HK$129,888,000 (30th September 2002: HK$57,217,000) and the bank balances and cash was approximately HK$45,552,000 (30th September 2002: HK$30,219,000). The Group continues to adhere to prudent treasury policy. All the bank borrowings were denominated in Hong Kong dollars. The majority of the bank balances and cash were denominated in Hong Kong dollars and deposited in short term fixed deposits. The Group aims at maintaining a minimum exposure to foreign exchange risks.

Material acquisitions, significant investments and their performance and future prospects

During the six month period ended 31st March 2003, the Group had completed the acquisition of the VC CEF companies. Details of which please refer to the section headed "Business review" above. Other than that, the Group did not have any other significant investments and capital commitments.

Headcount/Employees' information

As at 31st March 2003, the Group employed a total of 151 employees, of which 146 were located in Hong Kong and the other 4 and 1 are located in Macau and the United Kingdom respectively as compared to 45 employees as at 31st March 2002, of which 41 and 4 were located in Hong Kong and the United Kingdom respectively.

Employee costs, including staff costs, Directors' emoluments and staff sales commission, amounted to approximately HK$21,283,000 for the six month period ended 31st March 2003 (six month period ended 31st March 2002: approximately HK$11,035,000). The significant increase was due to the substantial increase of number of employees after consolidation of the businesses of the VC CEF companies and the redundancy costs made during the three month period ended 31st March 2003. Details please refer to the section headed "Financial review" above.

The Group's employees are selected and promoted based on suitability for the position offered. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually. A wide range of benefits, including medical coverage, provident funds and overtime allowances are also provided to the employees of the Group. In addition, training and development programmes are provided to the employees of the Group on an ongoing basis.

The Group adopted the pre-IPO share option plan and the share option scheme under which options may be granted to employees of the Group as a recognition for their contribution made to the Group and to retain those employees who will continue to make valuable contribution to the Group. Details of the share options granted to the employees as at 31st March 2003 are given in the section headed "Details of outstanding share options granted" below.

Charges on group assets

As at 31st March 2003, the Group has pledged certain margin clients' listed securities with market value of HK$13.4 million held by it as collateral security against the margin clients' receivable balance to secure banking facilities and borrowings (30th September 2002: HK$Nil) granted to the Group. In addition, the Company has provided corporate guarantees for its subsidiaries, Elixir Group and VC CEF Brokerage Limited to a supplier and a bank respectively for obtaining credit and banking facilities granted to these subsidiaries.

Gearing ratio

As at 31st March 2003, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 7.9% (30th September 2002: Zero).

Foreign exchange exposure

It is the Group's policy for each operating entity to operate in local currencies, where possible, to minimize currency risk. The impact of foreign exchange exposure of the Group is minimal and therefore, no hedging against foreign currency exposure is considered necessary.

Future plans for material investments or capital assets

As at 31st March 2003, the Group had no future plans for material investments or capital assets other than those stated in the business plans set out in the section headed "Business Objectives" in the prospectus dated 23rd March 2001 (as adjusted by the circular of the Company dated 16th November 2002).

Contingent liabilities

Contingent liabilities amounted to approximately HK$6.5 million as at 31st March 2003 (30th September 2002: HK$6.5 million). For details, please refer to "litigation matters" as disclosed in Note 23 to the Accounts "Contingent liabilities" on pages 80 to 81 of 2002 Annual Report issued on 18th December 2002, which have no new development to date of this interim report and there is no other litigation or claim of material importance known to the Directors except the following:

One of the subsidiaries, VC CEF Brokerage Limited ("VCCEFB") was involved in a litigation in which a client alleged that in 1997, VCCEFB had failed to make enforceable contract or contracts for such client. The client claimed for loss of profit of approximately HK$8.9 million plus interest. Pursuant to the relevant share sale and purchase agreement relating to the acquisition of the VC CEF companies, VCCEFB's former ultimate holding company has undertaken to assume the responsibility for all legal and financial liabilities in connection with any actions, matters or proceedings relating to this claim and to indemnify VCCEFB and the Company for all loss, damages and costs suffered or incurred in relation to this claim. Accordingly, no provision has been made by the Group for this claim in the accounts.

Future prospects

As the acquisition of the VC CEF companies only took place in mid-December 2002 and the enlarged Group is still undergoing the business integration period, the financial merits brought in by the acquisition have not been fully realized and revealed during the period under review. In order to achieve the goal of becoming a regional premier investment banking group in markets like Hong Kong, Macau and the PRC, the Group has implemented a number of business realignments with a view to further expanding its client base and revenue stream. Such measures include the strengthening and increase of products range and services. For example, the Group has commenced stock borrowing and lending services and has reinforced its research team in order to provide a more comprehensive financial analytical services and support to its clients. In addition, the Group is seriously considering to introduce as part of its financial products and services, leveraged foreign exchange trading and money lenders business. Furthermore, the Group is also preparing to set up a representative office for financial trading in Macau. When this happens, it will be a major milestone of the Group's investment banking business and a plank for development of such business in other regions of the PRC.

Regardless of the current global SARS epidemic which inevitably will further deteriorate the worldwide and local economies as a whole, the management remains convinced in the attractive long-term prospects of the business, in particular in the PRC market.

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.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	(Unaudited) Three month period ended 31st March		(Unaudited) Six month period ended 31st March	
		2003	2002	**2003**	2002
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*(2)*	**17,665**	2,288	**29,335**	4,574
Cost of sales of hardware solutions		**(5,563)**	–	**(14,324)**	–
		12,102	2,288	**15,011**	4,574
Other revenues	*(2)*	**380**	233	**546**	477
Changes in work-in-progress		**162**	(24)	**382**	(244)
Staff costs		**(13,133)**	(5,778)	**(18,254)**	(10,800)
Depreciation		**(3,041)**	(3,525)	**(5,276)**	(5,884)
Amortisation of intangible assets	*(7)*	**(673)**	(1,642)	**(784)**	(2,227)
Provision for bad and doubtful debts		**53**	–	**(65)**	–
Impairment of fixed assets		**–**	(11,534)	**–**	(11,534)
Impairment of goodwill		**–**	(46,395)	**–**	(46,395)
Commission expenses		**(2,788)**	(103)	**(3,029)**	(295)
Other operating expenses		**(10,433)**	(3,472)	**(13,313)**	(5,319)
Operating loss	*(4)*	**(17,371)**	(69,952)	**(24,782)**	(77,647)
Finance costs		**(143)**	–	**(159)**	(1)
Share of losses of associated companies		**–**	–	**–**	(568)
Loss for the period		**(17,514)**	(69,952)	**(24,941)**	(78,216)
Minority interests		**95**	–	**236**	–
Loss attributable to shareholders		**(17,419)**	(69,952)	**(24,705)**	(78,216)
Basic loss per share *(HK cents)* (As restated)	*(6)*	**(0.96)**	(9.09)	**(1.81)**	(10.85)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 31st March 2003 HK$'000	(Audited) 30th September 2002 HK$'000
Fixed assets	(8)	**17,608**	13,232
Intangible assets	(7)	**25,214**	–
Non-trading securities – unlisted at fair value		**2,000**	2,000
Other assets		**4,744**	–
Current assets			
Inventories		**728**	916
Trade receivables, prepayments, deposits and other receivables	(9)	**110,647**	14,840
Amount due from an investee company		**4**	4
Bank balances and cash		**45,552**	30,219
		156,931	45,979
Current liabilities			
Trade payables, accruals and other payables	(10)	**59,740**	3,994
Amount due to ultimate holding company		**652**	–
Bank loans and overdrafts		**16,217**	–
		76,609	3,994
Net current assets		**80,322**	41,985
Total assets less current liabilities		**129,888**	57,217
Financed by:			
Share capital	(11)	**238,155**	68,044
Reserves		**(108,101)**	(10,897)
Shareholders' funds		**130,054**	57,147
Minority interests		**(166)**	70
		129,888	57,217

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Exchange reserves HK$'000	Total HK$'000
Balance at 1st October 2001	45,000	48,489	(38,942)	–	54,547
Loss attributable to shareholders	–	–	(78,216)	–	(78,216)
Issue of shares	11,708	–	–	–	11,708
Premium from issue of shares	–	70,247	–	–	70,247
Expenses incurred in connection with issue of shares	–	(4,451)	–	–	(4,451)
Exchange differences arising on translation of accounts of an overseas subsidiary	–	–	–	(29)	(29)
Balance at 31st March 2002	56,708	114,285	(117,158)	(29)	53,806
Balance at 1st October 2002	68,044	118,362	(130,103)	844	57,147
Loss attributable to shareholders	–	–	(24,705)	–	(24,705)
Issue of shares	102,067	–	–	–	102,067
Issue of shares by capitalization of the share premium account	68,044	(68,044)	–	–	–
Expenses incurred in connection with issue of shares	–	(4,440)	–	–	(4,440)
Exchange differences arising on translation of accounts of an overseas subsidiary	–	–	–	(15)	(15)
Balance at 31st March 2003	**238,155**	**45,878**	**(154,808)**	**829**	**130,054**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six month period ended 31st March	
	2003	2002
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(9,893)**	(13,277)
Net cash (outflow)/inflow from investing activities	**(88,618)**	15,635
Net cash (outflow)/inflow before financing	**(98,511)**	2,358
Net cash inflow from financing	**97,627**	–
(Decrease)/Increase in cash and cash equivalents	**(884)**	2,358
Cash and cash equivalents at beginning of period	**30,219**	37,926
Effect of foreign exchange rate changes	**–**	66
Cash and cash equivalents at end of period	**29,335**	40,350
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**45,552**	40,350
Bank loans and overdrafts	**(16,217)**	–
	29,335	40,350

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

These unaudited condensed consolidated interim accounts have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The principal accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 30th September 2002 except that the presentation and classification of items in the cashflow statement have been changed due to the adoption of the requirements of SSAP No. 15 (revised) on "Cashflow Statements" which is effective for accounting periods commencing on or after 1st January 2002. Certain comparative figures in the accounts have also been reclassified to conform with the current period's presentation.

The Group's acquisitions of VC CEF companies in mid-December 2002 have been accounted for using the acquisition accounting basis. All significant intercompany transactions and balances within the Group are eliminated in the preparation of the unaudited condensed consolidated interim accounts.

2. Revenues and turnover

The Group is principally engaged in the provision of comprehensive online trading and related systems to licensed financial institutions and intermediaries principally in Asia, brokering and dealing for clients in securities and future and option contracts mainly on the Hong Kong Stock Exchange ("HKSE") 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 and six month period ended 31st March 2003, together with the comparative figures for the corresponding periods in 2002, are as follows:

	Three month period ended 31st March		**Six month period ended 31st March**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Online trading and back office system sales and related support services	**9,000**	2,288	**20,041**	4,574
Brokerage commission from dealing in securities on HKSE and overseas exchanges and future and option contracts on HKFE	**6,160**	–	**6,611**	–
Arrangement, management, advisory and other fee income	**1,508**	–	**1,532**	–
Interest income from clients	**997**	–	**1,151**	–
	17,665	2,288	**29,335**	4,574
Other revenues				
Interest income from authorized institutions and others	**112**	204	**223**	353
Others	**268**	29	**323**	124
	380	233	**546**	477
Total revenues	**18,045**	2,521	**29,881**	5,051

3. Segmental information

Primary reporting format – business segments

	Six month period ended 31st March 2003				
	Online trading and back office system sales and related support services	Securities brokerage and dealing	Futures and options dealing	Capital market and corporate finance services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues					
Turnover	20,041	7,350	412	1,532	29,335
Other revenues	154	285	50	57	546
	20,195	7,635	462	1,589	29,881
Segment results	(12,861)	(9,074)	(254)	(2,114)	(24,303)
Unallocated costs					(638)
Loss for the period					(24,941)
Minority interests					236
Loss attributable to shareholders					(24,705)

No business segment analysis is presented for the six month period ended 31st March 2002 as over 90% of the Group's turnover and trading results for that period are attributable to the provision of online trading and back office system sales and related support services.

Secondary reporting format – geographical segments

	Six month period ended 31st March 2003	
	Turnover	Segment results
	HK$'000	*HK$'000*
Hong Kong	20,739	(19,484)
United Kingdom	–	(4,076)
Macau	8,596	(743)
	29,335	(24,303)
Unallocated costs		(638)
Loss for the period		(24,941)

No geographical analysis is presented for the six month period ended 31st March 2002 as no loss of the Group for that period is attributable to markets outside Hong Kong.

4. **Operating loss**

Operating loss is stated after charging/(crediting) the followings:

	Three month period ended 31st March		Six month period ended 31st March	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Auditors' remuneration	**(71)**	201	**55**	212
Depreciation	**3,041**	3,525	**5,276**	5,884
Finance costs				
Bank interests	**143**	–	**159**	1
Operating leases				
Land and buildings	**1,918**	1,284	**3,105**	1,793
Retirement benefit costs	**(697)**	(54)	**(453)**	72
Net exchange gains	**(12)**	–	**(14)**	–

5. **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 and six month period ended 31st March 2003 (2002: HK$Nil).

No provision for deferred taxation has been made in the accounts during the three month and six month period ended 31st March 2003 (2002: HK$Nil) as the Group have net potential deferred tax asset at the balance sheet date, the crystallisation of the asset in the foreseeable future was uncertain.

6. **Loss per share**

The calculation of the basic loss per share for the three month and six month period ended 31st March 2003 is based on the Group's unaudited loss attributable to shareholders of approximately HK$17,419,000 and HK$24,705,000 respectively (three month and six month period ended 31st March 2002: loss of approximately HK$69,952,000 and HK$78,216,000) and the weighted average number of 1,814,514,286 and 1,364,090,312 ordinary shares (three month and six month period ended 31st March 2002: 769,606,633 and 720,819,425 ordinary shares) in issue during the respective periods after adjustment of the number of shares in issue prior to the rights issue on 5th February 2003 by the factor of 1.36. The basic loss per share for the three month and six month period ended 31st March 2002 has been restated accordingly.

Diluted loss per share has not been presented for the three month and six month period ended 31st March 2003 and their corresponding periods in 2002 as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic loss per share.

7. Intangible assets

	Trading rights *HK$'000*	Goodwill *HK$'000*	Total *HK$'000*
Cost			
At 1st October 2002	–	–	–
Additions from acquisition of subsidiaries	5,066	22,179	27,245
At 31st March 2003	5,066	22,179	27,245
Accumulated amortisation			
At 1st October 2002	–	–	–
Additions from acquisition of subsidiaries	1,247	–	1,247
Amortization charge	146	638	784
At 31st March 2003	1,393	638	2,031
Net book value			
At 31st March 2003	**3,673**	**21,541**	**25,214**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 10 years.

Trading rights represent rights on HKSE and HKFE acquired as part of the consideration for its original membership shares in the HKSE and the HKFE as a result of HKSE, HKFE and their respective clearing houses merged in March 2000 and subsequently listed on the HKSE.

8. Fixed assets

	Six month period ended 31st March 2003 ***HK$'000***	Year ended 30th September 2002 *HK$'000*
Net book value, beginning of period/year	**13,232**	15,729
Acquisition from subsidiaries	**6,550**	12,714
Additions	**3,551**	7,086
Disposals	**(449)**	(693)
Depreciation	**(5,276)**	(10,125)
Impairment charge	**–**	(11,534)
Exchange difference	**–**	55
Net book value, end of period/year	**17,608**	13,232

9. Trade receivables, prepayments, deposits and other receivables

	Six month period ended 31st March 2003	Year ended 30th September 2002
	HK$'000	*HK$'000*
Trade receivables		
Current	**99,534**	1,074
31 – 90 days	**2,482**	380
Over 90 days	**7,569**	517
	109,585	1,971
Prepayments, deposits and other receivables	**5,956**	12,909
	115,541	14,880
Less: Provision for bad and doubtful debts	**(4,894)**	(40)
	110,647	14,840

Trade receivables are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers.

Certain companies comprising the Group maintain trust accounts with HKFE Clearing Corporation Limited ("HKFECC") for their clients as a result of their normal business transactions. As at 31st March 2003, trust accounts with HKFECC not otherwise dealt with in the accounts amounted to approximately HK$6,680,000 (30th September 2002: HK$Nil).

10. Trade payables, accruals and other payables

	Six month period ended 31st March 2003	Year ended 30th September 2002
	HK$'000	*HK$'000*
Trade payables		
Current	**48,863**	698
31 – 90 days	**400**	–
Over 90 days	**–**	–
	49,263	698
Accruals and other payables	**10,477**	3,296
	59,740	3,994

11. Share capital

	Six month period ended 31st March 2003 No. of shares	Six month period ended 31st March 2003 HK$'000	Year ended 30th September 2002 No. of shares	Year ended 30th September 2002 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each *(Note)*	**2,381,549,999**	**238,155**	680,442,858	68,044

Note: On 5th February 2003, the Company issued 1,020,664,287 new ordinary shares of HK$0.10 each on the basis of three rights shares for every two existing shares held payable in full on acceptance with bonus shares to be issued in the proportion of two bonus shares for every three rights shares subscribed.

12. Capital commitments

As at 31st March 2003, the Group did not have any commitments contracted but not provided for in respect of purchase of fixed assets (30th September 2002: HK$Nil).

13. Financial commitments

Pursuant to the pre-incorporation agreement entered into between the Company and Computershare Systems Phils., Inc. on 27th September 2000, the Group and the Company had financial commitment in respect of capital contribution into a jointly controlled entity to be incorporated in the Republic of the Philippines of PHP 12.5 million (approximately HK$1,859,000) as at 30th September 2002. In view of the adverse market environment in Asia countries, on 1st February 2003, both parties have entered into a deed of cancellation agreeing that all the matters stated in the pre-incorporation agreement be terminated and shall become null and void and cease to have any legal effect as from the date of such deed. Therefore, as at 31st March 2003, the financial commitments is HK$Nil.

14. Contingent liabilities

Save for the litigation matters as disclosed in Note 23 to the Accounts "Contingent liabilities" on pages 80 to 81 of 2002 Annual Report issued on 18th December 2002, which have no new development to date of this interim report and there is no other litigation or claim of material importance known to the Directors except the followings:

One of the subsidiaries, VC CEF Brokerage Limited ("VCCEFB") was involved in a litigation in which a client alleged that in 1997, VCCEFB had failed to make enforceable contract or contracts for such client. The client claimed for loss of profit of approximately HK$8.9 million plus interest. Pursuant to the Share Sale and Purchase Agreement, VCCEFB's former ultimate holding company has undertaken to assume the responsibility for all legal and financial liabilities in connection with any actions, matters or proceedings relating to this claim and to indemnify VCCEFB and the Company for all loss, damages and costs suffered or incurred in relation to this claim. Accordingly, no provision has been made by the Group for this claim in the accounts.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six month period ended 31st March 2003 (2002: HK$Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress as measured against the statement of business objectives set out in the prospectus of the Company dated 23 March 2001 ("IPO Prospectus") (as adjusted by the circular of the Company dated 16th November 2002 regarding the acquisition of the VC CEF companies ("VSA Circular")) for the six month period ended 31st March 2003. The management of the Group will review its business objectives and strategies regularly on an ongoing basis and may make adjustments as necessary.

Since the acquisition of the VC CEF companies constituted a material change in the general character or nature of the original business of the Company mentioned in the IPO Prospectus, hence, the Company has, as disclosed in the VSA Circular, modified certain aspects of its original business objectives from 18th December 2002, being the date of completion of the acquisition, onwards.

Combined business objectives as stated in the IPO Prospectus for the period from 1st October 2002 to 17th December 2002 and in the VSA Circular for the period from 18th December 2002 to 31st March 2003	**Actual business progress for the period from 1st October 2002 to 31st March 2003**
1. Market penetration	
Concentrate to explore business opportunities for market entry, alliance, joint venture or acquisition by the Group principally in the PRC.	Due to the continuing weakness in the global Internet markets, the Group has slowed down the exploration of technology related business opportunities in other parts of the world save and except for the PRC markets which continue to show encouraging signs for demand for technological products. The business development and expansion spearheaded by Elixir Group Limited and Elixir Group (Macau) Limited, which being the subsidiaries of the Company, in Macau and Pearl Delta Region was a good example of such achievement.

Continue to review and implement marketing plan for new markets and new services.	Due to the sluggish global economy, management adopted a more cautious approach for expansion to these overseas markets, plans of which were either delayed or temporarily suspended and will not resume until the market conditions in these countries improve. Accordingly, more resources were spared and put in the expansion of new but complementary business and services for local market including the diversification of the Group's business to the financial industry through acquisition of the VC CEF companies.
Introduce full-fledged financial services combining the traditional investment banking services and the state-of-art technology to both institutional and retail clients.	Following the acquisition of the VC CEF companies in mid-December 2002, the Group has diversified its business to the provision of financial services including dealing in securities and commodities, advising on securities and commodities, advising on corporate finance and asset management. Technology elements were added to such services through adoption and usage of the Group's own trading and accounting systems when serving the clients so as to increase business efficiency.

2. Strategic alliance

Continue evaluation and strengthening of existing strategic relationship.	Strategic alliances were formed by the Group with certain world-famous hardware suppliers with a view to offering hardware solutions services to the existing and potential clients complementing the Group's front office and back office software products.

Acquire VC CEF companies, which will diversify and expand the original business of provision of online financial trading systems and services to securities brokering, commodity trading and corporate finance services.	The Company has completed acquisitions for the entire issued share capital of VC CEF companies on 18th December 2002, which have diversified and expanded the Group's original business of provision of online financial trading systems and services to securities brokering, commodity trading and corporate finance services. Such diversification of business constituted a material change to the general character or nature of business of the Group and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 10th December 2002.
Continue to seek synergistic acquisition and merger opportunities to further extend services/markets.	The Group continued to adopt an open attitude towards all potential business opportunities, an example of which was the acquisition of VC CEF companies.

3. ASP services

Continue to provide application service providers ("ASP") services in respect of online trading system to existing and potential clients principally in Hong Kong and the PRC.	For certain clients in Hong Kong who do not want to invest in technology systems amidst the uncertain market conditions, the Group has offered ASP services in respect of its trading systems to them as a substituted solution.
In addition to ASP business model, continue to sell or grant non-exclusive license of online trading system to existing and potential clients principally in Hong Kong and the PRC.	Prior to the diversification of business to the financial industry, the sale and grant of non-exclusive license of online trading systems remained the principal revenue stream of the Group.

4. Access devices

Continue development of other access channels to enhance service offering if the internet trading improves in the capital market in Hong Kong.	The Group has temporarily delayed the development of new access channels due to the non-popularity of online trading through electronic medium other than Internet in Hong Kong financial market.

5.	**Content development**	
	Continue to explore market needs and develop contents to enhance value added services.	The Group has no present intention to resume the development of financial content by itself.
	Form strategic alliance with other financial content providers to maintain and continue content services to existing and potential clients.	Nevertheless, in order to provide the services in a more cost-efficient manner, the Group has formed and maintained strategic alliance with other financial content providers in the market which are more specialized and experienced in the field. With the assistance of such providers, the Group has continued and provided financial content services to existing and potential clients.
6.	**Research and development**	
	Continue dedicating resources in research and development for developing new products and improving existing products so as to extend the client base and strengthen the revenue sources.	The Group has dedicated resources in research and development for developing new products and improving existing products so as to extend the client base and strengthen the revenue sources. One of the good example is the launching of the Group's self-developed Foreign Exchange Margin Trading System and Mutual Fund Settlement System in October 2002 and November 2002 respectively.
	Continue to improve the quality of management information and sharing of information amongst staff.	The Group has implemented processes to improve the quality of management information and sharing of information amongst staff.
7.	**Business integration**	
	For the period ending 31st March 2003, the Company will strive to integrate its own business and workforce with those of VC CEF companies. Also the Company will begin to conduct thorough review of the business operation of the VC CEF companies and devise business strategies aiming to improve the operating efficiency and expand the client base and income stream of the VC CEF companies.	Immediately after the acquisition of VC CEF companies, realignments were being implemented within the enlarged Group in various aspects including the reduction of headcounts, centralization of offices and most importantly, the strengthening and increase of products range and services. For example, the Group has commenced stock borrowing and lending services and has reinforced its research team with a view to providing a more comprehensive financial analytical services and support to its clients. In addition, the Group is now seriously considering to introduce, as part of its financial products and services, leveraged foreign exchange trading and money lenders business.

USE OF PROCEEDS

The net proceeds raised from the Company's public listing on 9th April 2001 (the "IPO proceeds") were approximately HK$51 million.

As stated in the circular of the Company dated 16th November 2002 in relation to the acquisition of VC CEF companies and in the 2002 Annual Report of the Company dated 18th December 2002, the Directors have resolved to reallocate certain amounts of the original funding to finance other business objectives of the Group for the period from 1st October 2002 to 30th September 2003.

	Actual amount used as at 31st March 2003 *HK$ million*
Enhance infrastructure development	6
Research and development to expand capacity to deliver services	6
Explore synergistic acquisition and investment opportunities	21
General working capital	16
Total	**49**

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 six month period ended 31st March 2003 or at any time during such period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2003, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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 referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

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

Name of Directors	Nature of interests	Number and approximate percentage of Shares interested
Dr. Ho Hung Sun, Stanley	Corporate *(Note 1)*	73,846,513 (3.10%)
	Personal *(Note 7)*	7,350,000 (0.31%)
Mr. Ho Yau Lung, Lawrence	Corporate *(Note 2)*	42,326,273 (1.78%)
	Personal *(Note 7)*	12,260,571 (0.51%)
Dr. Lee Jun Sing	Corporate *(Note 3)*	62,997,029 (2.65%)
	Personal *(Note 7)*	36,275,674 (1.52%)
Mr. Ko Chun Fung, Henry	Corporate *(Note 4)*	42,370,251 (1.78%)
	Personal *(Note 7)*	36,275,674 (1.52%)
Mr. Cheng Kar Shing, Peter	Corporate *(Note 5)*	52,809,819 (2.22%)
	Personal *(Note 7)*	7,350,000 (0.31%)
Mr. Fung Hoo Wing, Thomas	Corporate *(Note 6)*	52,809,819 (2.22%)

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 3.10% of the issued share capital of the Company.

2. 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 1.78% of the issued share capital of the Company.

3. 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 2.65% of the issued share capital of the Company.

4. 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 1.78% of the issued share capital of the Company.

5. 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 2.22% 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.

6. 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 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" below.

(ii) Derivative interests

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 March 2003, 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	*Notes*	Exercise price *HK$*	Number of underlying Shares comprised in the options outstanding as at 31st March 2003	Expiry date
Dr. Ho Hung Sun, Stanley	6th April 2001	*(1)*	0.36	7,350,000	8th October 2005
Mr. Ho Yau Lung, Lawrence	6th April 2001	*(1)*	0.36	7,350,000	8th October 2005
	9th July 2002	*(2)*	0.10	4,910,571	8th July 2012
Dr. Lee Jun Sing	6th April 2001	*(1)*	0.36	31,365,103	8th October 2005
	9th July 2002	*(2)*	0.10	4,910,571	8th July 2012
Mr. Ko Chun Fung, Henry	6th April 2001	*(1)*	0.36	31,365,103	8th October 2005
	9th July 2002	*(2)*	0.10	4,910,571	8th July 2012
Mr. Cheng Kar Shing, Peter	6th April 2001	*(1)*	0.36	7,350,000	8th October 2005

Notes:

1. As disclosed on page 24 of the prospectus of the Company concerning the rights and bonus issues dated 9th January 003, the exercise price and the number of Shares issuable on the exercise of the outstanding options granted pursuant to the Pre-IPO Share Option Plan were adjusted as a result of the issue of the fully-paid rights shares which took place on 5th February 2003.

2. 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**
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

During the six month period ended 31st March 2003, none of the Directors had exercised his options.

(iii) Interests in shares and equity derivatives of Melco

Name of Directors	**Nature of interests**	**Number and approximate percentage of shares of Melco interested**
Dr. Ho Hung Sun, Stanley	Corporate *(Note 1)*	1,585,000 (1.09%)
	Personal *(Note 1)*	8,216,185 (5.66%)
	Family *(Note 1)*	214,727 (0.15%)
Mr. Ho Yau Lung, Lawrence	Corporate *(Note 2)*	36,525,675 (25.14%)
	Personal *(Note 3)*	1,210,871 (0.83%)

Notes:

1. Dr. Ho Hung Sun, Stanley will be taken to be interested in 1,585,000 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 1.09% of the issued share capital of Melco. Apart from that, Dr. Ho and his spouse personally holds 8,216,185 and 214,727 shares of Melco respectively.

2. Mr. Ho Yau Lung, Lawrence will be taken to be interested in 36,525,675 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 25.14% of the issued share capital of Melco.

3. The personal interests of Mr. Lawrence Ho represents his derivative interests in Melco comprising the physically settled options which were granted on 8th March 2002 and may be exercised, as for 605,435 options, during the period from 8th September 2002 to 7th March 2012 and as for the other 605,436 options, during the period from 8th March 2003 to 7th March 2012, at an exercise price of HK$1.38 per Melco's share.

Save as disclosed above, as at 31st March 2003, none of the Directors or chief executives of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st March 2003, shareholders (other than Directors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Number of Shares held	Approximate shareholding percentage
Melco International Development Limited *(Note)*	1,609,303,811	67.57%

Note: The said 1,609,303,811 Shares were held by Melco Finance and Technology Limited, which is a wholly-owned subsidiary of Melco International Development Limited.

Save as disclosed, as at 31st March 2003, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who is interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

DETAILS OF OUTSTANDING SHARE OPTIONS GRANTED

(i) Pre-IPO share option plan

As at 31st March 2003, options comprising an aggregate of 97,402,081 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 *HK$*	Pre-IPO Share Options duration
Directors of the Company	5	84,780,206 *(Note)*	0.36 *(Note)*	6th April 2001 to 8th October 2005
Employees	3	12,621,875 *(Note)*	0.36 *(Note)*	6th April 2001 to 8th October 2005
Total		97,402,081		

Note: As disclosed on page 24 of the prospectus of the Company concerning the rights and bonus issues dated 9th January 003, the exercise price and the number of Shares issuable on the exercise of the outstanding options granted pursuant to the Pre-IPO Share Option Plan were adjusted as a result of the issue of the fully-paid rights shares which took place on 5th February 2003.

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 Executives' Interests in the Company and its associated corporations" above.

During the six month period ended 31st March 2003, 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 March 2003, 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 March 2003, options comprising an aggregate of 48,369,128 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 *HK$*	Share Options duration
Directors of the Company	3	14,731,713	0.10	9th July 2002 to 8th July 2012
Employees	34	24,307,331	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		48,369,128		

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 executives' interests in the Company and its associated corporations" above.

During the six month period ended 31st March 2003, certain Share Options comprising a total of 736,586 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 2003, 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 six month period ended 31st March 2003.

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 interim 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 six month period ended 31st March 2003.

COMPETING INTERESTS

Dr. Ho Hung Sun, Stanley, the chairman and an executive Director 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, none of the Directors or the initial management shareholders of the Company (as defined in the prospectus of the Company dated 23rd March 2001 and the GEM Listing Rules) or their respective associates had any business or interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS IN THE GROUP

First Shanghai Capital Limited ("FSCL") and the Company have entered into a sponsor's agreement, pursuant to which, FSCL 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 FSCL, First eFinance has agreed to subscribe to the online financial trading services of the Company.

Further, 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 six month period ended 31st March 2003, the Group has charged First eFinance approximately HK$Nil (2002: HK$278,000) being the charges for the relevant services performed under the Memorandum and approximately HK$30,000 (2002: HK$250,000) being the payment of the license fee and the maintenance fee under the Agreements.

In addition, pursuant to a software license agreement dated 15th January 2003 entered into between iAsia Online Systems Limited and First Shanghai Futures Limited ("FSF"), a fellow subsidiary of FSCL, iAsia Online Systems Limited has agreed to grant to FSF a non-exclusive license to use its software for supporting futures trading. During the six month period ended 31st March 2003, the Group has charged approximately HK$6,000 being the deposit payment of the license fee.

Besides, during the six month period ended 31st March 2003, two fellow subsidiaries of FSCL, First eFinance and First Shanghai Management Services Limited have purchased certain hardware systems and solutions amounted to an aggregate of HK$67,461 from a subsidiary of the Company, namely, Elixir Group Limited.

As at 31st March 2003, neither FSCL 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
President & Vice Chairman

13th May 2003