VALUE CONVERGENCE HOLDINGS LIMITED

滙 盈 控 股 有 限 公 司

second interim report 2003

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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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 condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three month and twelve month period ended 30th September 2003, together with the unaudited comparative figures for the corresponding periods in 2002.

HIGHLIGHTS

- As announced in the Company's announcement dated 18th December 2002, upon completion of the acquisition of VC CEF companies, the Company has changed its financial year end date from 30th September to 31st December from year 2003 onwards. Accordingly, this interim report contains the unaudited condensed consolidated results for the twelve month period ended 30th September 2003.

- Turnover for the three month and twelve month period ended 30th September 2003 amounted to approximately HK$27,552,000 and HK$79,744,000 respectively, an increase of approximately 1,340.3% and 673.2% over the corresponding periods in 2002.

- Loss attributable to shareholders for the three month and twelve month period ended 30th September 2003 amounted to approximately HK$3,991,000 and HK$31,065,000 respectively, a decrease of approximately HK$2,734,000 and HK$60,096,000 respectively over the corresponding periods in 2002, representing approximately 40.7% and 65.9% respectively.

- The Board does not recommend the payment of an interim dividend for the twelve month period ended 30th September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Completion of the acquisition ("acquisition") of the entire issued share capital of three subsidiaries, namely VC CEF Brokerage Limited, VC CEF Futures Limited and VC CEF Capital Limited (collectively "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 consideration for the acquisition amounting to approximately HK$116.6 million (excluding direct expenses in relation to the acquisition) was satisfied in cash. Upon completion of the acquisition, the Group has diversified its principal activities to include the technology business and the investment banking and financial services business thereby generating new sources of income.

The consideration of the acquisition was funded partly by internal resources of the Group and partly by net proceeds of rights issue of the Company of 1,020,664,287 rights shares at HK$0.10 per rights share on the basis of three rights shares for every two then existing shares held with a bonus issue on the basis of two bonus shares for every three subscribed and fully paid rights shares (collectively the "rights issue"). An aggregate of 1,701,107,141 new shares comprising 1,020,664,287 rights shares and 680,442,854 bonus shares were issued on 5th February 2003. The total net proceeds obtained from the rights issue were approximately HK$97.6 million after deduction of direct expenses.

Further, 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, the Company has changed its financial year end date from 30th September to 31st December from year 2003 onwards. This interim report contains the unaudited condensed consolidated results for the twelve month period ended 30th September 2003. The Company will issue its next annual report for the fifteen month period ended 31st December 2003.

The Group's business development continues to proceed along three main directions, namely, 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

The Group's technology business principally involves the provision of comprehensive online trading and related systems to financial institutions and intermediaries principally in Asia. During the twelve month period ended 30th September 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. Its ongoing enhancements and proven systems and services to meet the change of financial needs in the capital market have gained the trust of new clients purchasing and subscribing our products and services. In addition, following the acquisition, the Group has started to make full use of its existing technology platform so as to improve the operational and cost efficiency and to enhance the competitiveness of the investment banking business of the VC CEF companies. With the Group's solid technology infrastructure and support, the operation of the VC CEF companies has been more rationalized to achieve better operational and cost efficiency, enabling it to expand faster and generate stronger returns.

On top of the sales and licensing of the software solutions and provision of related services, during the twelve month period ended 30th September 2003, the Group had through its subsidiaries, namely Elixir Group Limited ("Elixir") and Elixir Group (Macau) Limited (collectively "Elixir Group"), offered clients in Hong Kong, Macau and the Pearl Delta Region of PRC full range of hardware systems and services that complement the Group's software products. These hardware systems range from entry-level workstations to enterprise-class servers and include a wide range of system integration services (for example, e-business solutions, office automation application, hosting and outsourcing service and related information technology consultancy services) with a view to assisting clients in maximizing their businesses potential. Regardless of the relatively short period of business operation, Elixir Group has formed strategic alliances with certain world-famous hardware suppliers and has successfully obtained certain prominent companies in Macau, such as Sociedade de Jogos de Macau, S.A. ("SJM"), Companhia de Electricidao de Macau – CEM, S.A. and Seng Heng Bank Limited, as its clients.

On 20th January 2003 and 16th July 2003, Elixir had entered into two separate service arrangements with SJM for the provision of system integration and system network services to SJM for a total amount of approximately HK$6.7 million. By virtue of the fact that Dr. Stanley Ho, who is the Chairman and Executive Director of the Company, has an equity interest in, as well as being a director of SJM, such service arrangements constituted connected transactions for the Company under the GEM Listing Rules. Details of these connected transactions had been disclosed in the announcements of the Company dated 21st January 2003 and 17th July 2003 respectively.

In view of the good quality of works and services that had been provided by Elixir to SJM under the said connected transactions, on 6th October 2003, Elixir has conditionally entered into another service arrangement with SJM for the provision of system integration services and related maintenance services for the respective aggregate amounts of approximately US$6.5 million (HK$50.8 million) and US$0.6 million (HK$4.8 million), which are measured up to the financial year ending 31st December 2005. As it is expected that the transactions contemplated under the new service arrangement will extend over a period of time and will take place on an ongoing basis, the new service arrangement constitutes continuing connected transactions for the Company under the GEM Listing Rules. Details of such continuing connected transactions had been disclosed in the announcement and the circular of the Company dated 9th October 2003 and 31st October 2003 respectively. An extraordinary general meeting will be held on 19th November 2003 for the independent shareholders to approve (by way of poll) the said continuing connected transactions with SJM. Dr. Stanley Ho and his associate, Bailey Development Limited, being a management shareholder of the Company which owns 3.10% shareholding interest in the Company, and is beneficially owned as to 65% by Dr. Stanley Ho, will abstain from voting at the said extraordinary general meeting.

Investment banking and financial services businesses

Since the acquisition of the VC CEF companies, the Group has expanded its business to investment banking and financial services business including the securities, futures and options brokerage and trading on the Hong Kong and overseas stock exchanges, capital market and corporate finance advisory services. A broad and comprehensive range of quality investment banking services is offered to regional and international clients through the VC CEF companies.

After thorough review and evaluation of the brokerage business subsequent to the acquisition, VC CEF Brokerage Limited and VC CEF Futures Limited now offer one-stop financial services to institutional, corporate, high net worth and private clients with a comprehensive range of products including local and overseas securities dealing, securities margin financing, placement and sub-underwriting, securities borrowing and lending, short selling, futures and options trading, derivatives trading, structured products and advisory services. In addition, a new team of seasoned research professionals has been hired through a wholly owned subsidiary of the Group, VC CFN Research Limited, to provide independent insightful research and analytic reports, from general research, specific investment and financial analyses to distinct project feasibility studies on global and regional economy, listed companies and private enterprises, so as to provide the most helpful analysis to clients to help them seize market opportunities.

In August 2003, VC CFN Corporation Limited, a subsidiary of the Company, has submitted an application to Monetary Authority of Macau (the "Authority") for a financial service licence to conduct securities and futures trading and brokerage business in Macau. In response to the Authority's request, further documents and information have been provided to the Authority for assessment of the application.

In respect of the corporate finance advisory services, VC CEF Capital Limited has helped clients gain access to equity capital markets, mergers and acquisitions opportunities, debt financing arrangements and project finance solutions in the Greater China Region. During the period under review, VC CEF Capital Limited actively participated in several IPO transactions on different capacities including sponsor and underwriter. The Group will continue to enhance the market profile of VC CEF Capital Limited through participating in more transactions. More professionals will be hired to explore the business opportunities in both Macau and PRC so as to implement the Group's expansion strategies.

Financial review

The SARS epidemic has significant negative impact on the domestic consumption and the services industry in the first half of 2003. However, since June 2003, with the diminishing SARS epidemic effects and the investment sentiments both in HK and US markets showing signs of recovery, investors' sentiment has turned bullish. Significant improvement was seen in Hong Kong stock market from June 2003 to September 2003. The Hang Seng Index had climbed approximately 30% from March 2003 to close at 11229 at the end of September 2003. The average daily market turnover of the Hong Kong stock market including GEM improved from approximately HK$5.9 billion for the six month period ended 31st March 2003 to approximately HK$10 billion for the six month period ended 30 September 2003. Riding on the improved Hong Kong stock market, the Group's brokerage business also recorded major improvement, in which its daily turnover had outperformed the market by an increase of more than 150% for the six month period ended 30th September 2003 over the previous six months. The liberalization of the commission rate on 1st April 2003 has caused moderate impact to the Group's brokerage commission revenue only.

During the three month period ended 30th September 2003, the Group had achieved an approximately 20.5% growth in turnover over the previous quarter. The turnover for the three month and twelve month period ended 30th September 2003 was approximately HK$27,552,000 and HK$79,744,000, representing an increase of approximately 1,340.3% and 673.2% respectively as compared with the turnover in the corresponding periods in 2002.

Online system sales and related support services generated a total turnover of approximately HK$5,528,000 and HK$32,916,000 for the three month and twelve month period ended 30th September 2003 respectively, representing approximately 20.1% and 41.3% of the total turnover of the respective periods. The significant increase of turnover as compared to the corresponding period in 2002 was largely due to the great effort made by Elixir Group in promoting and selling hardware systems and related services which generated a total turnover of approximately HK$26,446,000 for the twelve month period ended 30th September 2003, representing approximately 33.2% of the total turnover for this period.

Through the VC CEF companies, the Group's principal revenue stream was expanded to include revenue generated from brokering and dealing for clients in securities and future and options contracts and provision of financing services such as margin financing, securities underwriting, placing, arrangement, assets management and advisory. The total turnover generated from such businesses amounted to approximately HK$22,024,000 and HK$46,828,000 for the three month and twelve month period ended 30th September 2003 respectively, representing approximately 79.1% and 58.7% of the respective periods. In line with the growth of the Hong Kong stock market and the rationalization of the Group's cost structure, the Group's investment banking and financial services business had achieved an approximately 42.0% growth in turnover over the previous quarter and had seen turnaround results during the three month period ended 30th September 2003.

Subsequent to the acquisition of the VC CEF companies, after thorough review of the Group's combined business operations of both technology business and brokerage and corporate finance business 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 interests of the Group and shareholders of the Company, the Group has implemented a wide range of pro-active measures to tightly monitor the operating and capital expenditures. Such measures include headcount review and a series of cost control measures designed to achieve maximum synergy from the acquisition. The Directors believe that the Group's existing cost structure has reached an optimal level to help the Group cater for the forthcoming challenging environment. In addition to the efforts in diversification of the Group's business, expansion of its revenue stream, products and services range during the twelve month period ended 30th September 2003, it is expected that higher returns would be generated for the Company's shareholders in the near future.

Loss attributable to shareholders for the three month and twelve month period ended 30th September 2003 amounted to approximately HK$3,991,000 and HK$31,065,000 respectively, representing a decrease of approximately HK$2,734,000 and HK$60,096,000 respectively over the corresponding periods in 2002, representing approximately 40.7% and 65.9% respectively.

Segmental performance

Segmental information is presented in respect of the Group's business segments. Since the acquisition of the VC CEF companies, the Group's businesses are reclassified into the technology business including the online trading and back office system sales and provision of related systems and services, and the investment banking and financial services business including securities broking 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 during the twelve month period ended 30th September 2003. The Group presented its segmental information based on the nature of their operations and the products/services they produced/ provided.

Analysis by business segment

The technology business segment contributed approximately 41.3% of the Group's turnover and amounted to approximately HK$32,916,000 for the twelve month period ended 30th September 2003 as compared to approximately HK$10,313,000, which was the total turnover of the Group in the corresponding period in 2002. This segment recorded a net operating loss of approximately HK$9,285,000 as compared to approximately HK$42,125,000 in the corresponding period in 2002, representing a decrease of HK$32,840,000.

During the period under review, the Group has expanded its principal business to include the investment banking and financial services business, details of such expansion are stated in the section headed "Business review" above. During the twelve month period ended 30th September 2003, the investment banking and financial business generated a turnover of approximately HK$46,828,000 and recorded a net operating loss of approximately HK$10,613,000.

Analysis by geographical segment

During the period under review, Hong Kong and Macau were the major markets of the Group's business. For the twelve month period ended 30th September 2003, the Group generated from Hong Kong market a turnover of approximately HK$63,201,000 and recorded a net operating loss of approximately HK$17,572,000, representing approximately 79.3% of the total turnover of the Group for this period.

Besides, a turnover of approximately HK$16,543,000 was generated from Macau market and recorded a net operating loss of approximately HK$2,326,000, which was all contributed by the technology business. In view of the continuous development of Elixir Group's business in Macau, it is anticipated that the Group's technology business in Macau would become a major contributor of this business segment's revenue in the final quarter of 2003 and subsequent periods.

Due to continuous sluggish global economy, the Group has temporarily closed the business in United Kingdom. However, the Group will continue to seek alternative strategies and ways to grasp the business opportunities globally.

Liquidity and financial resources

The Group's business operations were primarily financed by the cash revenues derived from operating activities, suppliers' credit, short term bank loans, overdrafts and shareholders' loan. The Group has obtained an aggregate banking facilities of HK$150 million as at 30th September 2003. Of these banking facilities, HK$30 million was secured by margin clients' listed securities. As at 30th September 2003, the Group had utilized approximately HK$27,895,000 of the unsecured short term bank loans and overdrafts.

Besides, the Group has borrowed a loan from ultimate holding company (included in the amount due to ultimate holding company) of HK$140 million as at 30th September 2003. The loan was used for financing the expansion of the investment banking and financial services business of the Group, which was considered to be the backbone and a solid foundation for the geographical expansion of the Group.

Net current assets as at 30th September 2003 stood at approximately HK$48,335,000, HK$6,350,000 higher than the figure as at 30th September 2002. Cash available to the Group (after deducting the bank loans and overdrafts) as at 30th September 2003 was approximately HK$7,625,000, HK$22,594,000 lower than the amount as at 30th September 2002. The drop was mainly due to the cash outflow for the acquisition and expansion of the investment banking and financial services business.

As at 30th September 2003, other than the trust accounts, the Group's shareholders' funds were approximately HK$123,986,000 (30th September 2002: HK$57,147,000). The Group continues to adhere to prudent treasury policy. All the bank borrowings are denominated in Hong Kong dollars. The majority of the bank balances and cash are denominated in Hong Kong dollars and deposited in short term fixed deposits. The Group aims at maintaining a minimum exposure to foreign exchange risks.

Capital structure

Following the completion of the rights issue, the bonus issue and the Share Consolidation (as mentioned below) during the period under review, as at 30th September 2003, the total number of issued ordinary shares of the Company was 238,154,999 shares of HK$0.10 each (30th September 2002: 680,442,858 of HK$0.10 each).

As stated in the section "Business Review", out of the 1,701,107,141 new shares of the Company issued pursuant to the rights issue, an aggregate of 1,007,582,287 rights shares and 671,721,524 bonus shares were issued to Melco International Development Limited ("Melco"), a company whose shares are listed on the main board of the Stock Exchange, as underwriter of the rights issue. As at 30th September 2003, Melco held an aggregate of 160,930,381 shares (originally 1,609,303,811 shares before adjustment due to the Share Consolidation mentioned below), representing approximately 67.57% of the total issued share capital of the Company.

On 21st February 2003, the Company announced a proposal for capital reorganization ("Capital Reorganization") under which the paid up and the nominal value of each of the 2,381,549,999 then issued ordinary shares of the Company would be reduced by HK$0.09 from HK$0.10 to HK$0.01 ("Capital Reduction") and every 10 adjusted shares of HK$0.01 each would be consolidated into one reorganized share of HK$0.10 ("Share Consolidation"), whereby the Company's share capital account would be reduced by the amount of HK$214,339,499.91 to HK$23,815,499.99. Thereafter, the amount standing to the credit of the share premium account of the Company together with such part of credit arising from the Capital Reduction would 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"). The credit arising from the Capital Reduction would be credited to a capital reserve account. An extraordinary general meeting was held on 9th April 2003 during which the Capital Reorganization was passed by the shareholders. The relevant petition for the Capital Reduction and the cancellation of the share premium account ("Petition") was made to the Court on 15th April 2003. The hearing of the Petition for confirmation of the Capital Reduction was held on 27th May 2003 during which the Capital Reduction was approved. The effective date of the Capital Reorganization was 28th May 2003.

Material acquisitions, significant investments and their performance and future prospects

During the twelve month period ended 30th September 2003, the Group had completed the acquisition of the VC CEF companies. Details of this acquisition are set out in 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 30th September 2003, the Group employed a total of 169 employees, of which 160 are located in Hong Kong and the other nine are located in Macau and the PRC respectively as compared to 49 employees as at 30th September 2002, of which 43 are located in Hong Kong and the other six are located in Macau and the United Kingdom respectively.

Employee costs, including staff costs, Directors' emoluments and staff sales commission, amounted to approximately HK$51,324,000 for the twelve month period ended 30th September 2003 (twelve month period ended 30th September 2002: approximately HK$19,877,000). 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 twelve month period ended 30th September 2003.

The Group's employees are selected and promoted based on suitability for the position offered. The salary and related benefits of the employees, including medical coverage, provident funds and overtime allowances, are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually. In addition, training and development programmes are provided to the employees of the Group on an ongoing basis. Besides, the Group operates the pre-IPO share option plan and the share option scheme under which options are granted to employees of the Group as 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 30th September 2003 are given in the section headed "Details of outstanding share options granted" below.

Charges on Group assets

As at 30th September 2003, the Group has pledged certain margin clients' listed securities with market value of approximately HK$14.8 million held by it as collateral security against the margin clients' receivable balance to secure banking facilities and borrowings (30th September 2002: HK$Nil) granted to a subsidiary. Further, the Group has pledged certain bank deposits amounting to approximately HK$184,000 to secure letters of guarantee (30th September 2002: HK$Nil) granted to a subsidiary for admission to business tender applications.

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 30th September 2003, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and the loan from the ultimate holding company) over total assets, was approximately 45.6% (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 Group's principal businesses are conducted and recorded in Hong Kong dollars. 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 30th September 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 30th September 2003 (30th September 2002: HK$6.5 million). For details, please refer to 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 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, the Group has not made any provision for this claim in the accounts.

Future prospects

Combining the strength and expertise of the Group's powerful management and professional team and strong support from Melco, the Group is confident that it can achieve the goal of becoming a regional premier investment banking group in Hong Kong, Macau and PRC. The Group's application for a financial intermediary licence in Macau is underway. At this stage, it is not yet known when and/or whether such licence will be granted. If successful, to the best of knowledge and belief of the Directors, it will be the first time the Macau Government has ever granted such licence to a financial entity. With the licence, the Group will be in a unique position to provide full-fledged investment banking services to investors and clients in Macau. This will be a major milestone of the Group's investment banking business and a stepping-stone to the development of such business in other regions of PRC.

With the signing of the Closer Economic Partnership Arrangement (CEPA) by the PRC with Hong Kong and Macau respectively, we are confident that the Group would be better placed to expand our China business and to assist the mainland customers and counterparts to develop and expand their businesses. The Group had recently established an office in Macau. In the quarter ahead, the Group will establish its Shenzhen Office with the aim to offer its corporate financial services to the PRC entities more extensively and conveniently. The Group will increase its presence in the PRC by establishing more offices, including the key strategic cities of Beijing and Shanghai. This will help promote the Group's core businesses.

The Directors will continue to strive for 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

For the three month and twelve month period ended 30th September 2003

	Notes	Three month period ended 30th September **Unaudited** **2003** ***HK$'000***	Three month period ended 30th September Unaudited 2002 *HK$'000*	Twelve month period ended 30th September **Unaudited** **2003** ***HK$'000***	Twelve month period ended 30th September Audited 2002 *HK$'000*
Turnover	(3)	**27,552**	1,913	**79,744**	10,313
Cost of sales of hardware systems		**(2,342)**	(44)	**(19,482)**	(44)
		25,210	1,869	**60,262**	10,269
Other revenues	(3)	**497**	122	**1,600**	846
Changes in work-in-progress		**–**	182	**104**	(72)
Staff costs		**(9,349)**	(4,196)	**(36,088)**	(19,350)
Depreciation of fixed assets	(10)	**(2,820)**	(2,128)	**(11,008)**	(10,125)
Amortisation of intangible assets	(9)	**(676)**	–	**(2,131)**	(2,227)
Provision for bad and doubtful debts		**–**	(40)	**(123)**	(40)
Impairment of fixed assets		**–**	–	**–**	(11,534)
Impairment of goodwill		**–**	–	**–**	(46,396)
Commission expenses		**(8,136)**	43	**(15,236)**	(527)
Other operating expenses		**(7,343)**	(2,732)	**(27,041)**	(11,591)
Operating loss	(5)	**(2,617)**	(6,880)	**(29,661)**	(90,747)
Finance costs	(6)	**(1,039)**	–	**(1,474)**	(1)
Share of losses of associated companies		**–**	–	**–**	(568)
Loss before taxation		**(3,656)**	(6,880)	**(31,135)**	(91,316)
Taxation	(7)	**–**	–	**–**	–
Loss after taxation		**(3,656)**	(6,880)	**(31,135)**	(91,316)
Minority interests		**(335)**	155	**70**	155
Loss attributable to shareholders		**(3,991)**	(6,725)	**(31,065)**	(91,161)
Basic loss per share (HK cents) (As restated)	(8)	**(1.68)**	(7.70)	**(16.58)**	(118.09)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2003

	Notes	Unaudited 30th September 2003 HK$'000	Audited 30th September 2002 HK$'000
Non-current assets			
Fixed assets	(10)	**14,751**	13,232
Intangible assets	(9)	**23,675**	–
Investment securities		**31,979**	2,000
Other non-current assets		**5,246**	–
Current assets			
Inventories		**286**	916
Trade receivables, prepayments, deposits and other receivables	(11)	**256,435**	14,840
Amount due from an investee company		**4**	4
Pledged bank deposits		**184**	–
Bank balances and cash		**35,520**	30,219
		292,429	45,979
Current liabilities			
Trade payables, accruals and other payables	(12)	**71,988**	3,994
Amount due to ultimate holding company		**144,211**	–
Bank loans and overdrafts		**27,895**	–
		244,094	3,994
Net current assets		**48,335**	41,985
Total assets less current liabilities		**123,986**	57,217
Minority interests		**–**	(70)
		123,986	57,147
Financed by:			
Share capital	(13)	**23,815**	68,044
Reserves		**100,171**	(10,897)
Shareholders' funds		**123,986**	57,147

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve month period ended 30th September 2003

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Exchange reserve HK$'000	Total HK$'000
			Audited			
Balance at 1st October 2001	45,000	48,489	–	(38,942)	–	54,547
Loss attributable to shareholders	–	–	–	(91,161)	–	(91,161)
Issue of shares	23,044	–	–	–	–	23,044
Premium from issue of shares	–	74,546	–	–	–	74,546
Expenses incurred in connection with issue of shares	–	(4,673)	–	–	–	(4,673)
Exchange differences arising on translation of accounts of an overseas subsidiary	–	–	–	–	844	844
Balance at 30th September 2002	68,044	118,362	–	(130,103)	844	57,147

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Exchange reserve HK$'000	Total HK$'000
			Unaudited			
Balance at 1st October 2002	68,044	118,362	–	(130,103)	844	57,147
Capital reduction	(214,340)	–	214,340	–	–	–
Capital reduction against accumulated losses	–	–	(90,582)	90,582	–	–
Transfer to accumulated losses	–	(45,878)	–	45,878	–	–
Loss attributable to shareholders	–	–	–	(31,065)	–	(31,065)
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	–	–	–	–	277	277
Balance at 30th September 2003	**23,815**	**–**	**123,758**	**(24,708)**	**1,121**	**123,986**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve month period ended 30th September 2003

	Twelve month period ended 30th September	
	Unaudited	Audited
	2003	2002
	HK$'000	*HK$'000*
Net cash used in operating activities	**(171,837)**	(22,379)
Net cash (used in)/from investing activities	**(86,964)**	2,917
Net cash from financing	**264,048**	10,637
Increase/(Decrease) in cash and cash equivalents	**5,247**	(8,825)
Cash and cash equivalents at beginning of period	**30,219**	37,926
Effect of foreign exchange rate changes	**54**	1,118
Cash and cash equivalents at end of period	**35,520**	30,219

NOTES TO THE ACCOUNTS

1. Change of financial year end date

In order to be coterminous with the financial year end date of the VC CEF companies, the financial year end date of the Company was changed from 30th September to 31st December from year 2003 onwards as announced in the Company's announcement dated 18th December 2002. The current interim report covers the results for the twelve month period from 1st October 2002 to 30th September 2003.

2. 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, the accounting principles generally accepted in Hong Kong, and the disclosure requirements 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 report of the Company for the year ended 30th September 2002 issued on 18th December 2002 ("2002 Annual Report"). Certain comparative figures in the accounts have been reclassified to conform to the current period's presentation.

3. **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, broking 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 twelve month period ended 30th September 2003, together with the comparative figures for the corresponding periods in 2002, are as follows:

	Three month period ended 30th September		Twelve month period ended 30th September	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Online trading and back office system sales and related support services	**5,528**	1,913	**32,916**	10,313
Brokerage commission from dealing in securities on HKSE and overseas exchanges and future and option contracts on HKFE	**16,829**	–	**32,360**	–
Underwriting, sub-underwriting, placing and sub-placing commission on HKSE and overseas exchanges	**18**	–	**1,798**	–
Arrangement, management, advisory and other fee income	**1,128**	–	**6,008**	–
Trading of securities	**1,554**	–	**1,815**	–
Interest income from clients	**2,495**	–	**4,847**	–
	27,552	1,913	**79,744**	10,313
Other revenues				
Interest income from authorized institutions and others	**58**	203	**389**	789
Others	**439**	(81)	**1,211**	57
	497	122	**1,600**	846
Total revenues	**28,049**	2,035	**81,344**	11,159

4. Segmental information

Primary reporting format – business segments

	Twelve month period ended 30th September 2003				
	Online trading and back office system sales and related support services *HK$'000*	**Securities brokerage and dealing** *HK$'000*	**Futures and options dealing** *HK$'000*	**Capital market and corporate finance services** *HK$'000*	**Total** *HK$'000*
Segment revenues					
Turnover	**32,916**	**37,895**	**2,100**	**6,833**	**79,744**
Other revenues	**195**	**1,180**	**105**	**120**	**1,600**
	33,111	**39,075**	**2,205**	**6,953**	**81,344**
Segment results	**(9,285)**	**(8,454)**	**135**	**(2,294)**	**(19,898)**
Unallocated costs					**(11,237)**
Loss before taxation					**(31,135)**
Taxation					**–**
Loss after taxation					**(31,135)**
Minority interests					**70**
Loss attributable to shareholders					**(31,065)**

No business segment analysis is presented for the twelve month period ended 30th September 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

	Twelve month period ended 30th September 2003 Turnover *HK$'000*	Segment results *HK$'000*
Hong Kong	**63,201**	**(17,572)**
Macau	**16,543**	**(2,326)**
	79,744	**(19,898)**
Unallocated costs		**(11,237)**
Loss before taxation		**(31,135)**

	Twelve month period ended 30th September 2002 Turnover *HK$'000*	Segment results *HK$'000*
Hong Kong	10,257	(37,747)
United Kingdom	–	(4,031)
Macau	56	(347)
	10,313	(42,125)
Unallocated costs		(48,623)
Share of losses of associated companies		(568)
Loss before taxation		(91,316)

5. Operating loss

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

	Three month period ended 30th September		Twelve month period ended 30th September	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net retirement benefits scheme contributions incurred/(refund)	**172**	136	**(978)**	596
Net exchange loss/(gain)	**(18)**	–	**(34)**	18
Net loss/(gain) on disposal of fixed assets	**320**	(49)	**392**	434

6. Finance costs

	Three month period ended 30th September		Twelve month period ended 30th September	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank loans and overdrafts	**499**	–	**934**	–
Interest on loan from the ultimate holding company	**500**	–	**500**	–
Other interests	**40**	–	**40**	1
	1,039	–	**1,474**	1

7. 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 twelve month period ended 30th September 2003 (2002: HK$Nil).

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

8. Loss per share

The calculation of the basic loss per share for the three month and twelve month period ended 30th September 2003 is based on the Group's unaudited loss attributable to shareholders of approximately HK$3,991,000 and HK$31,065,000 respectively (three month and twelve month period ended 30th September 2002: loss of approximately HK$6,725,000 and HK$91,161,000) and the weighted average number of 238,154,999 and 187,421,394 ordinary shares (three month and twelve month period ended 30th September 2002: 87,332,649 and 77,198,235 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 and the Share Consolidation, being part of the Capital Reorganization, which took effect on 28th May 2003. The basic loss per share for the three month and twelve month period ended 30th September 2002 has been restated accordingly.

Diluted loss per share has not been presented for the three month and twelve month period ended 30th September 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.

9. Intangible assets

	Trading rights *HK$'000*	Goodwill *HK$'000*	Total *HK$'000*
Cost			
At 1st October 2002	–	–	–
Additions through/arising from acquisition of subsidiaries	5,066	21,987	27,053
At 30th September 2003	5,066	21,987	27,053
Accumulated amortisation			
At 1st October 2002	–	–	–
Additions through/arising from acquisition of subsidiaries	1,247	–	1,247
Amortization charge	399	1,732	2,131
At 30th September 2003	1,646	1,732	3,378
Net book value			
At 30th September 2003	**3,420**	**20,255**	**23,675**

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. The goodwill 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 original membership shares in the HKSE and the HKFE following merger of HKSE and HKFE and their respective clearing houses in March 2000 and subsequent listing of HKSE.

10. Fixed assets

	Twelve month period ended 30th September	
	2003	2002
	HK$'000	*HK$'000*
Net book value, beginning of period	**13,232**	15,729
Additions through acquisition of subsidiaries	**6,550**	12,714
Additions	**6,602**	7,086
Disposals	**(637)**	(693)
Depreciation	**(11,008)**	(10,125)
Impairment charge	**–**	(11,534)
Exchange difference	**12**	55
Net book value, end of period	**14,751**	13,232

11. Trade receivable, prepayments, deposits and other receivables

	Twelve month period ended 30th September	
	2003	2002
	HK$'000	*HK$'000*
Trade receivables		
Current	**243,684**	1,074
31 – 90 days	**2,677**	380
Over 90 days	**10,976**	517
	257,337	1,971
Prepayments, deposits and other receivables	**3,978**	12,909
	261,315	14,880
Less: Provision for bad and doubtful debts	**(4,880)**	(40)
	256,435	14,840

Trade receivables are due immediately from date of billing. For the trade receivables for technology business, the Group will generally grant a normal credit period of 30 days on average to its customers.

Certain companies in the Group maintain trust accounts with HKFE Clearing Corporation Limited ("HKFECC") for their clients as a result of their normal business transactions. As at 30th September 2003, trust accounts with HKFECC not otherwise dealt with in the accounts amounted to approximately HK$9,283,000 (30th September 2002: HK$Nil).

12. Trade payable, accruals and other payables

	Twelve month period ended 30th September	
	2003	2002
	HK$'000	*HK$'000*
Trade payables		
Current	**59,830**	698
31 – 90 days	**1,155**	–
Over 90 days	**195**	–
	61,180	698
Accruals and other payables	**10,808**	3,296
	71,988	3,994

13. Share capital

	Twelve month period ended 30th September			
	2003		2002	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'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 *(Notes)*	**238,154,999**	**23,815**	680,442,858	68,044

Notes:

(1) 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.

(2) On 28th May 2003, the paid up and the nominal value of each of the 2,381,549,999 issued ordinary shares of the Company was reduced by HK$0.09 from HK$0.10 to HK$0.01 and every 10 adjusted shares of HK$0.01 each was consolidated into one reorganized share of HK$0.10.

14. Capital commitments

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

15. 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 PHP12.5 million (approximately HK$1,859,000) as at 30th September 2002. In view of the adverse market environment in Asia countries, on 1st February 2003, both parties have entered into a deed of cancellation agreeing that all the matters stated in the pre-incorporation agreement be terminated and shall become null and void and cease to have any legal effect as from the date of such deed. Therefore, as at 30th September 2003, the financial commitments is HK$Nil.

16. 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, 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, the Group has not made any provision for this claim in the accounts.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the twelve month period ended 30th September 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 twelve month period ended 30th September 2003.

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 30th September 2003	Actual business progress for the period from 1st October 2002 to 30th September 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 market which continues to show encouraging signs for demand for technological products. The business development and expansion spearheaded by Elixir Group in Macau and the 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 investment banking services 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, 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 systems 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 acquisition 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 of the Group.

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 examples 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. In addition to the above new systems, the development of the new version of the back office settlement systems targeting for high-end users is now underway and is expected to be completed in the first half of 2004.

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.

For the period from 1st April 2003 to 30th September 2003, the Company will continue the business review of the Group and will begin to implement any new business strategies for the VC CEF companies with the emphasis on leveraging on the synergies arising from the merger.

The Group has made the application to Monetary Authority of Macau for a financial service licence to conduct securities and futures trading and brokerage business in Macau to seize the financial market opportunities in Macau. If the application is successful, the Group will be able to offer clients and investors in Macau to trade the financial products of the Hong Kong stock market through usage of the Group's trading systems.

USE OF PROCEEDS

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

As stated in the VSA circular and 2002 Annual Report, 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. As at 30th September 2003, the net proceeds were used as follows:

	Actual amount used as at 30th September 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	18
Total	**51**

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 twelve month period ended 30th September 2003 or at any time during such period.

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

As at 30th September 2003, the relevant 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 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 are 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")

Name of Directors	Nature of interests	*Notes*	Number of Shares interested	Approximate percentage of Shares interested
Dr. Ho Hung Sun, Stanley	Corporate	(1)	7,384,651	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)	5,280,981	2.22%
	Personal	(7)	735,000	0.31%
Mr. Fung Hoo Wing, Thomas	Corporate	(6)	5,280,981	2.22%

Notes:

1. Dr. Ho Hung Sun, Stanley will be taken to be interested in 7,384,651 Shares (originally 73,846,513 Shares prior to the Share Consolidation) 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 (originally 42,326,273 Shares prior to the Share Consolidation) 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 (originally 62,997,029 Shares prior to the Share Consolidation) 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 (originally 42,370,251 Shares prior to the Share Consolidation) 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 (originally 52,809,819 Shares prior to the Share Consolidation) 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 (originally 52,809,819 Shares prior to the Share Consolidation) 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" 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 30th September 2003, the following Directors of the Company had share options granted by the Company to subscribe for 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 30th September 2003	Expiry date
Dr. Ho Hung Sun, Stanley	6th April 2001	(1)	3.6	735,000	8th October 2005
Mr. Ho Yau Lung, Lawrence	6th April 2001	(1)	3.6	735,000	8th October 2005
	9th July 2002	(1) & (2)	1.0	491,057	8th July 2012
Dr. Lee Jun Sing	6th April 2001	(1)	3.6	3,136,510	8th October 2005
	9th July 2002	(1) & (2)	1.0	491,057	8th July 2012
Mr. Ko Chun Fung, Henry	6th April 2001	(1)	3.6	3,136,510	8th October 2005
	9th July 2002	(1) & (2)	1.0	491,057	8th July 2012
Mr. Cheng Kar Shing, Peter	6th April 2001	(1)	3.6	735,000	8th October 2005

Notes:

1. As disclosed on page 15 of the circular of the Company concerning the capital reorganization involving capital reduction, share consolidation and diminution and increase dated 13th March 2003, 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 and the Share Option Scheme were adjusted as a result of the Share Consolidation which took place on 28th May 2003.

2. 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.

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

As at 30th September 2003, none of the Directors had exercised his options.

(iii) Interests in shares and equity derivatives of Melco

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	1.09%
	Personal	(1)	12,324,276	5.66%
	Family	(1)	322,090	0.15%
Mr. Ho Yau Lung, Lawrence	Corporate	(2)	55,504,512	25.47%
	Personal	(3)	1,816,306	0.83%

Notes:

1. Dr. Ho Hung Sun, Stanley will be 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 1.09% of the issued share capital of Melco. Apart from that, Dr. Ho and his spouse personally hold 12,324,276 and 322,090 shares of Melco respectively.

2. Mr. Ho Yau Lung, Lawrence will be taken to be interested in 55,504,512 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 25.47% 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 exercisable, as for 908,153 options, during the period from 8th September 2002 to 7th March 2012 and as for the other 908,153 options, during the period from 8th March 2003 to 7th March 2012, at an exercise price of HK$1.00 per Melco's share.

Save as disclosed above, as at 30th September 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 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 30th September 2003, 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 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 *(Note)*	160,930,381	67.57%

Note:

The said 160,930,381 Shares (originally 1,609,303,811 Shares prior to the Share Consolidation) were held by Melco Finance and Technology Limited, which is a wholly-owned subsidiary of Melco.

Save as disclosed above, as at 30th September 2003, so far as known to the Directors, there is no other person who had interest or short position in the shares and underlying shares (including interests in share 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, or who was, directly or indirectly, interested in 10% 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 30th September 2003, 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 *(Note)*	6th April 2001 to 8th October 2005
Employees	3	1,262,188	3.6 *(Note)*	6th April 2001 to 8th October 2005
Total		9,740,208		

Note:

As disclosed on page 15 of the circular of the Company concerning the capital reorganization, involving capital reduction, share consolidation and diminution and increase dated 13th March 2003, 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 share consolidation which took place on 28th May 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 twelve month period ended 30th September 2003, certain Pre-IPO Share Options to subscribe for a total of 147,708 underlying shares (originally 1,477,083 underlying shares before making adjustment due to the Share Consolidation) which had been 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 30th September 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 30th September 2003, options to subscribe for an aggregate of 4,228,002 underlying Shares which has been 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 to be issued upon the exercise of the Share Options	Exercise price per Share *HK$*	Share Options duration
Directors of the Company	3	1,473,171	1.0 *(Note)*	9th July 2002 to 8th July 2012
Employees	26	1,821,823	1.0 *(Note)*	9th July 2002 to 8th July 2012
Other eligible persons	5	933,008	1.0 *(Note)*	9th July 2002 to 8th July 2012
Total		4,228,002		

Note:

As disclosed on page 15 of the circular of the Company concerning the capital reorganization, involving capital reduction, share consolidation and diminution and increase dated 13th March 2003, the exercise price and the number of Shares issuable on the exercise of the outstanding options granted pursuant to the Share Option Scheme were adjusted as a result of the share consolidation which took place on 28th May 2003.

Details of the grant of 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 twelve month period ended 30th September 2003, certain Share Options to subscribe for a total of 682,568 underlying shares (originally 6,825,696 underlying shares before making adjustment due to the Share Consolidation) granted to ten 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 30th September 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.

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 twelve month period ended 30th September 2003.

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 includes securities brokerage and financial advisory services, the Directors believe that there is a potential risk that such part of business of Seng Heng Bank may compete with the investment banking business to be developed by the Group in Macau.

Save as disclosed above, as at 30th September 2003, none of the Directors or 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.

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 end 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 ("iAsia Online"), the Company's wholly-owned subsidiary, and First eFinance, iAsia Online 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 twelve month period ended 30th September 2003, the Group has not charged First eFinance for the relevant services performed under the Memorandum (2002: HK$278,000) but has charged approximately HK$69,000 (2002: HK$644,000) for license fee and maintenance fee under the Agreements.

In addition, pursuant to a software license agreement dated 15th January 2003 entered into between iAsia Online and First Shanghai Futures Limited ("FSF"), a fellow subsidiary of FSCL, iAsia Online has agreed to grant to FSF a non-exclusive license to use its software for supporting futures trading. During the twelve month period ended 30th September 2003, the Group has charged approximately HK$18,000 being the payments of the license fee.

Besides, during the twelve month period ended 30th September 2003, two fellow subsidiaries of FSCL, First eFinance and First Shanghai Management Services Limited have purchased certain hardware systems and solutions amounting to approximately HK$67,000 from a subsidiary of the Company, namely, Elixir.

Furthermore, pursuant to a loan agreement dated 18th September 2003, the Company has borrowed from First Shanghai Finance Limited, a fellow subsidiary of FSCL, a sum of HK$30 million at the interest rate of 7% per annum, for on-lending the same to the Company's wholly owned subsidiary, VC CEF Brokerage Limited, for general working capital purpose. The said loan was repaid in full on 25th September 2003 and the total amount of interest paid by the Company to First Shanghai Finance Limited was approximately HK$40,000.

As at 30th September 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

12th November 2003