FINANCIAL REVIEW

Review of Results

Turnover for the six month period ended 30th June 2003 amounted to approximately HK$58.4 million, an increase of approximately 31.7% over the corresponding period in 2002. The unaudited loss attributable to shareholders was HK$14.9 million (2002: HK$7.3 million). Basic loss per share was 10.24 HK cents (2002: 6.02 HK cents).

Liquidity and Capital Resources

Cash available to the Group as at 30th June 2003 was HK$122 million, HK$97 million lower than the amount as at 31st December 2002. The difference was mainly due to the cash outflow for acquisition of the Value Convergence group and its business. A significant portion of this cash balance is committed to the Group's investment banking and financial services business.

Net current assets stood at HK$184 million, HK$39 million lower than the figure as at 31st December 2002. As at 30th June 2003, the Group had total outstanding borrowings of approximately HK$44.4 million. The Group's financial position remained healthy for ongoing operation and business development.

The Group's principal businesses are conducted and recorded in Hong Kong dollars. Consequently, foreign currency risk is minimal.

Employees

Staff costs were HK$33.2 million, which constituted 40% of the total operating expenses. With a headcount of 382 as at 30th June 2003, the Group adopts a competitive remuneration package and rewards its employees on a performance related basis. The Company operates a share option scheme which gives incentives to its staff and executives.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the period (2002: Nil).

BUSINESS REVIEW

On 28th September 2002, the Company entered into an Underwriting Agreement under which the Company underwrote the rights issue of Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) ("Value Convergence"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Pursuant to the Underwriting Agreement, the Company subscribed for 1,007,582,287 shares of HK$0.10 each of Value Convergence on 29th January 2003 and paid for such shares with internal resources of the Company. As at the date hereof, the Company holds 67.57% of Value Convergence's issued shares, and is Value Convergence's holding company.

The Company is an investment holding company. Currently, the Group's businesses are divided into 5 divisions: (i) investment banking and financial services; (ii) technology; (iii) fine-dining, leisure and tourism; (iv) property investment; and (v) investment and energy.

Investment Banking and Financial Services Division

Through Value Convergence, the Group carries on securities brokerage, commodities trading and corporate finance business under the "VC CFN" and "VC CEF" brand names via traditional means and the internet. The Group offers a broad and comprehensive range of investment banking services and strategic advices to regional and international clients.

The Group acquired the business of this division in December 2002. During the period under review, various measures had been taken to reduce operating costs and increase revenues. These measures include merger of branches and offices, rationalisation of staff and costs, hiring of sales professionals with client followings and implementation of incentive schemes. As a result, the operating costs of this division were cut by 28%. Turnover for this division for the first half of 2003 reached HK$20.7 million. A loss of HK$5.9 million was recorded. The Group will continue to reinforce sales and pitching efforts and will tightly control its operating and capital costs.

Significant efforts were made to re-organize this division's business since the acquisition, to better serve clients. As a result, 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, forex trading, derivatives trading, structured products and advisory services. In addition, a new team of seasoned research professionals has been hired to provide independent insightful research and analytic reports to clients to help them seize market opportunities.

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, VC CEF Capital Limited handled one IPO for a client in the capacity of sole sponsor. It also participated in several IPO transactions in different capacities. 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 implement the expansion strategies.

The Hong Kong stock market's performance in the first half of 2003 was fair, considering the unexpected outbreak of Severe Acute Respiratory Syndrome ("SARS") in March and its negative impact on domestic consumption and the services industry. However, investors' sentiment has turned bullish and daily volume has picked up strongly in July and August and is likely to exceed HK$10 billion for the rest of the year. Further, better economic prospects stemming from relaxation of mainland Chinese visitors to Hong Kong and expected bottoming out of residential property prices and unemployment should point to better corporate earnings outlook. This scenario is favorable to the Hong Kong stock market and should create an environment which is conducive to a strong performance by the Group's investment banking and financial services division in the second half of 2003.

Technology Division

The Group's technical division is under Value Convergence, through which the Group customizes and sells trading and back office systems and solutions to financial institutions and intermediaries in Asia under the "iAsia" brand name. During the period under review, the technology division saw turnover increase to HK$10 million (2002: HK$6.1 million) and operating loss reduce to HK$7.5 million (2002: HK$76 million) respectively.

During the first half of 2003, the Group continued to carry out research and development works to expand its products range and improve the trading solutions services. The number of newly signed up clients increased significantly. In addition, the Group also made full use of its existing technology platform to improve the operational and cost efficiency and competitiveness of its investment banking business.

On top of the sales and licensing of the software solutions and provision of related services, during the six month period ended 30th June 2003, the Group had through its subsidiaries, namely Elixir Group Limited and Elixir Group (Macau) Limited ("Elixir Group"), offered clients in Hong Kong, Macau and the Pearl Delta Region full range of hardware systems 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 short lead time, the Elixir Group has formed strategic alliances with certain famous hardware suppliers and have secured certain prominent companies in Macau, e.g. Sociedade de Jogos de Macau, S.A., Companhia de Electricidao de Macau – CEM, S.A. and Seng Heng Bank Limited, as its clients. It is anticipated that the Group's technology business in Macau would become a major contributor of this division's revenue in the second half of 2003 and subsequent periods.

Fine-Dining, Leisure and Tourism Division

The outbreak of SARS in the second quarter seriously affected the local economy, especially the tourism and catering sectors. The epidemic had affected the Group's fine-dining business catastrophically. Due to substantial decline in local customer and tour group sales, turnover of the fine-dining business for the first half of 2003 dropped to HK$25.1 million (2002: HK$40.2 million). Despite this extraneous negative factor, a successful implementation of cost cutting and efficiency enhancement program resulted in a smaller operating loss at HK$7.1 million, which was better than that for the same period last year (2002: HK$7.7 million). Had it not been for the SARS, the Group would probably have turned the operation around to profitability.

The SARS's effect on this division's business has subsided recently. The group had recently reorganized its restaurants' manpower with a view to providing finer cuisines and better service. Effects of this reorganization have begun to show in recent months.

In view of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), the Group expects the number of tourists from mainland China would increase significantly. Hence, the Group is in the process of transforming its Jumbo and Tai-Pak floating restaurants into a modern complex of fine-dining, shopping, sightseeing and cultural attraction to be named "Jumbo Kingdom". With its strategic position, special design and architecture and worldwide reputation, "Jumbo Kingdom" is expected to become a more popular tourist, recreational and leisure spot after its rebirth.

Property Investment Division

Turnover of the Group's property investment business for the first half of 2003 remained at HK$2.3 million, similar to the turnover of last year's corresponding period. The stagnant result of this division's business is due to abundant supply of rental properties and general decline in property rentals. Owing to high costs of maintaining and managing the properties, operating profit from the Group's property investments went down by 17% to HK$1.4 million.

Investment and Energy Division

Turnover and operating profit for investment for the first half of 2003 were HK$0.2 million (2002: HK$1.8 million) and HK$3.9 million (2002: HK$1.8 million) respectively. The increased operating profit of investments was due to receipt of underwriting income during the period.

The Group has not made any firm commitment on energy investments. It will continue to keep watch of investment opportunities in this sector.

The Group is continuing negotiations with potential partners in the establishment of a professional investment company. When formed, this company will make direct equity and other investments in companies with good prospects in the Greater China region.

EVENTS AFTER 30TH JUNE 2003

In August, 2003, VC CFN Corporation Limited, a subsidiary of the Group, submitted an application to the relevant Macau 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 August, 2003, the Company took actions to undertake a rights issue of 72,643,567 rights shares of HK$1.00 at a price of HK$1.45 per rights share on the basis of one rights share for every two ordinary shares in issue. The Company will raise approximately HK$105.3 million before expenses by means of the rights issue, which will strengthen the Company's equity base, improve its financial gearing and provide additional resources to finance development and growth of the Group's business.

FUTURE PROSPECTS

With prudence as its guiding principle, the Group has been consistently implementing its development strategy with determination and dedication.

Renovation work on the "Jumbo Kingdom" has already started and will be completed by the first quarter of 2004 to cope with the recovery of the Hong Kong tourism industry. "Jumbo Kingdom" is expected to benefit from China's policy of relaxing the travel requirements on