



Melco

International Development Limited
新濠國際發展有限公司

On A Roll

A winning combination of local expertise,
world-class management, and inspired branding.



Half-Year Results

Melco experienced significant gains in turnover and profitability for the period ended 30th June 2005. Combined turnover from all business sectors continued to rise following an upward trend that began midway through 2004. Turnover was up 19% from the corresponding period a year prior to HK\$250.7 million as of 30th June 2005. Profit attributable to shareholders surged 770% from HK\$61.4 million for the corresponding period last year to HK\$534.2 million. Earnings per share were 54.66 HK cents (2004: 12.69 HK cents).

All of the Group's business divisions achieved segmental profitability during the period in review. Primary amongst the divisions was Melco's core leisure, gaming and entertainment business, which saw turnover and profitability soar in comparison to the same period last year. Melco's exclusive pan-Asian partnership with Publishing and Broadcasting Limited (PBL) of Australia has facilitated the introduction of new projects in Macau that target all market segments from novice gamers to high rollers. Inspired by the success of recent endeavors and the prospects for leisure activity growth in Asia, the joint venture is exploring further opportunities for development in other Asian countries.

Melco's recent achievements have not gone unnoticed. The Group received honorable recognition for its endeavors in the form of the High Flyer's Corporate Achiever Award (Leisure, Gaming and Entertainment) from HK Business Magazine and the Top Performer Award from South China Morning Post.

Dividends

The directors declared the payment of an interim dividend of HK\$0.01 per ordinary share for the six months ended 30th June 2005 (2004: HK\$0.005 (adjusted as a result of share sub-division on 19th May 2005)).

Closure of Register of Members

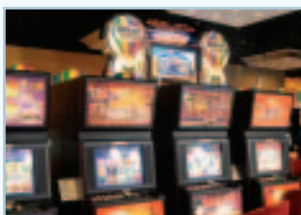
The register of members of the Company will be closed from Wednesday, 5th October 2005 to Monday, 10th October 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 4th October 2005.

Business Review

Leisure, Gaming and Entertainment Division

Melco's leisure, gaming and entertainment division remained the Group's primary source of turnover accounting for 45% of turnover during the period under review. Turnover for the division during the six months ended 30th June 2005, amounted to HK\$113 million, an increase of 200% over the corresponding period a year prior. Segmental profit was up at HK\$555.1 million, representing a successful turnaround from a loss of HK\$5.2 million a year earlier. The large disparity between the previous year and the current period ended 30th June, 2005 is due to the inclusion of turnover and profit achieved by the Mocha Slot Group Limited (Mocha Slots), and HK\$514.4 million which arose from the deemed disposal of partial interests in Mocha Slots and Great Wonders, Investments, Limited (Great Wonders). Great Wonders, formerly a partially owned entity of Sociedade de Turismo e Diversões de Macau, S.A. (STDM) with development and ownership rights to the Crown Macau project was purchased in total by the Melco-PBL joint venture subsequently to the period end making Melco-PBL the sole owner of Great Wonders.

Mocha



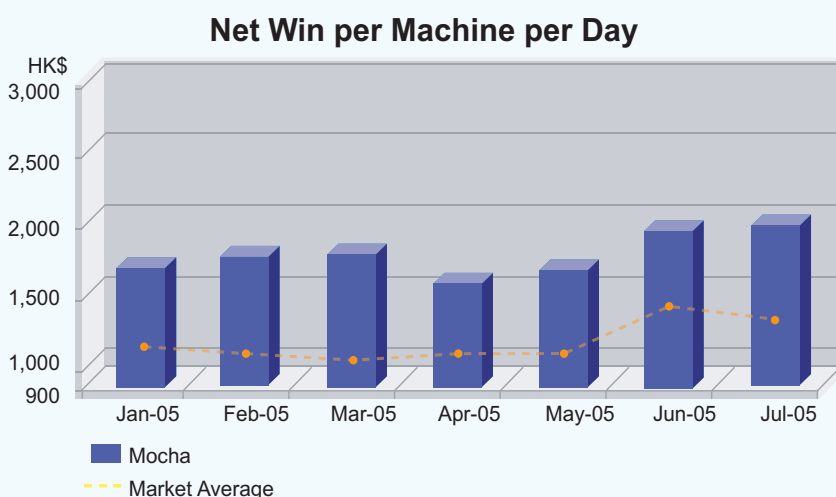
The primary contributor to the Group's leisure, gaming and entertainment turnover was the highly successful Mocha Slots' electronic gaming business. Mocha Slots is consistently the initial mover in the market, introducing new forms of gaming from traditional table games to electronic gaming machines. It is currently well situated to take advantage of Macau's increasing number of novice and recreational gamers with electronic gaming machines strategically located in and nearby 2 and 3-star hotels. Turnover from Mocha Slots amounted to HK\$63 million for the six months ended 30th June 2005. With the opening of its fourth Mocha Slot Club at the Hotel Taipa Square in April 2005, Mocha Slots now operates around 700 electronic gaming machines in this rapidly expanding sector, comprising nearly 25% of Macau's total number of slot machines.

The average daily net win per machine, the key performance indicator of the machines' profitability, has consistently experienced impressive increases since Mocha Slots' inception into the Group.

This is strong proof of Mocha Slots' ability to penetrate into the grind market. The number of slot machines in Macau has grown from around 800 in September 2003 to 2,800 machines present. In spite of this rapid growth, Mocha's average daily net win has experienced remarkable above market performance against the industry average. Mocha Slots achieved and continues to maintain the highest daily net win per machine in Macau, as shown in the following table and chart through the first half of 2005.

Mocha

Average daily net win (HK\$)	June 2005	Jan-June 2005
Macau Market	1,400	1,172
Mocha Slots	2,000	1,798



Eyeing the steep uptrend in total visitor arrivals to Macau, Melco-PBL plans to expand the Mocha Slots' operations. The largest and grandest slot halls will be opened at the City of Dreams in Cotai and the Crown Macau in Taipa. By fourth quarter 2005, it is envisaged that there will be 2 new venues in operation adding an additional 250 gaming machines to the Company's already commanding presence in Macau.

Mocha Slots has been a pioneer in developing the grind market in Macau. It has been successful in and continues to foster customer loyalty by offering the newest and most exclusive electronic games. Mocha's stylistic cafe setting offers tourists and novice gamblers a comfortable unique setting in which to test their luck. Despite the recent influx, slot machines remain underrepresented in the Macau market and present tremendous opportunities for growth. Mocha Slots is set to grow accordingly with its acquired experience and proven daily net wins.

To significantly differentiate the product offerings from the rest of the general market, Mocha Slots provides a wide variety of linked jackpot games with different themes, in-house determined signage's and jackpot ranges, to patrons. Over the past year, Mocha has given away over HK\$10 million jackpot Grand prizes to 24 lucky winners. The most recent Grand jackpot was won by a Mocha Club's patron for HK\$2.74 million.

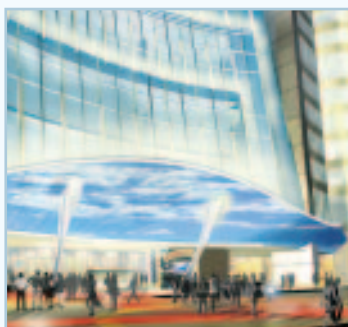
City of Dreams

The Group continues to build on its strong local expertise and maneuverability in the briskly growing Macau economy by leveraging the gaming and resort experience found in its exclusive partnership with PBL, Australia's largest media and gaming conglomerate.



In May 2005, the Melco-PBL joint venture successfully secured in principle a 25 year renewable lease from the Macau Government for 113,325 sq. meters of land on the Cotai Strip to be used for the development of a world-class integrated entertainment resort termed, "City of Dreams". This marks Melco's concerted effort to aid in the development of Macau's Government scheme to enhance its attraction as a family-oriented vacation destination. The City of Dreams is a world class integrated entertainment resort anchored by an underwater casino with marine sea-life. It comprises 3 hotels with a total of 2,000 hotel rooms, additional uniquely themed time-sharing serviced apartments, iconic theatres for permanent shows, numerous retail, food and beverage outlets, and nightclubs. Construction is targeted to be completed in phases starting from late 2008.

Crown Macau



Branding specs were finalized for Melco-PBL's building of Macau's first ever 6-star casino-hotel. The joint venture partners intend to operate Crown Macau by drawing on the marketing expertise and the strong brand name of the Crown Entertainment Complex in Melbourne, Australia. The Crown Melbourne is at the pinnacle of leisure gaming luxury and will be a strong branding tool in Macau. The Crown Macau will boast the same high standard of VIP gaming and hospitality services and products as those offered by Crown in Melbourne, which is widely recognized as the biggest single site VIP gaming hotel in the world with over 90% of its high rolling players coming from Asia. In addition, substantial cross marketing and cross referrals will be made possible between the two destinations. The Crown Macau is uniquely positioned to become a premier stop for high rollers from around the world.

Construction on the Crown Macau is progressing on time and should facilitate the opening of the casino portion in the second half of 2006, with full project completion in the first half of 2007. Targeting high rollers and big spenders from all over the world, Crown Macau will also embrace a number of elegant unique restaurants and a luxury spa center. Standing at a height of 160 metres, it will be the tallest building on Taipa Island. A total construction area of 106,000 square metres will comprise 227 deluxe VIP guest rooms, of which 26 will be VIP suites and 8 will be presidential villas. Set in luxurious decor, the 32-storey complex will include a 6-storey up-market casino with a total gaming space of around 17,000 square metres, housing 200 gaming tables and over 1,000 slot machines.

Other Gaming Opportunities

The Melco-PBL joint venture is not limited to Macau. As other Asian governments see the benefits that can be realized by allowing for managed gambling, there are expected to be new opportunities for development throughout Asia. One of those opportunities is currently in Singapore, where the Group and PBL are in the process of applying to the Singapore Government for the go ahead to build a S\$2.5 billion integrated resort and casino at Marina Bay. Melco-PBL believes that the integrated resort will further enhance Singapore's status as a business and leisure tourist destination.

Jumbo Kingdom



The Jumbo Kingdom, a long standing Hong Kong icon, is returning to profitability after extensive renovations and newly minted promotional campaigns. Turnover and profit for the review period amounted to HK\$48 million (2004: HK\$34.6 million) and HK\$4.4 million (2004: loss of HK\$5.2 million) respectively.

In addition, the period under review witnessed the grand opening of Chua Lam Gourmet Kitchen in Macau via the Group's Jumbo Catering Management Limited business. The Chua Lam Kitchen in Macau occupies an area of 24,000 sq. ft. and includes numerous restaurants. The Kitchen is expected to become a new dining attraction in Macau.

It is anticipated that the Jumbo Kingdom will continue its Hong Kong and Macau business in the second half of 2005 and will continue contributing to the Group's profits.

Technology Division



The Group's technology division, headed by the Elixir and iAsia group of companies continued its profitability following the restructuring initiated in 2004. Turnover for the six months under review was HK\$75 million (2004: HK\$106 million). Segmental profit stood at HK\$6.7 million as of 30th June, 2005 (HK\$9 million, 30th June 2004).

Elixir has successfully established itself as a premier gaming IT infrastructure specialist who offers clients a full range of system integration and network services. Leveraging its strong ties with SJM, Elixir has been one of the largest IT solution providers for SJM. The iAsia group of companies is engaged in the provision of comprehensive online trading and related systems and services to financial institutions and intermediaries, principally in Asia.

On 14th & 15th June, 2005, Melco and Elixir Group participated in "The Asian Gaming Expo", a must-attend event for many exhibitors as it features the latest gaming equipments, technologies and services. In the expo, the Group displayed a casino-themed exhibition booth and showcased its latest products and services at this world's most exciting gaming marketplace.

The Group's technology division will continue improving its businesses and results in the second half of 2005.

Investment Banking and Financial Services Division



During the period in review, the Group's investment banking and financial services arm, operated as Value Convergence Holdings Limited (VC Holdings) contributed segmental profit in the amount of HK\$7.7 million (2004: HK\$9 million), with a turnover of HK\$51.4 million (2004: HK\$65.3 million).

Pressures from interest rate hikes, economic austerity measures enforced by the Mainland government, and global oil prices contributed to high volatility in capital markets. Hence, the Group's brokerage business was hampered by the lower market turnover of China-related stocks, in which many of the Group's clients invest.

On the other hand, the corporate finance division acted as the sole sponsor and lead manager for a number of listing applications on the Main Board of Hong Kong Stock Exchange. The successful location of these new clients was the result of the Group's effective expansion plan - setting up new offices in Shenzhen, Beijing and Shanghai - in the previous year. These transactions are expected to be completed in the second half of 2005 and generate significant returns for the Group.

In January 2005, the Group obtained a license to operate an asset management business from the Hong Kong Securities and Futures Commission, and a professional asset management service team has been formed. The possibility of establishing investment funds to provide clients with investment alternatives including investment opportunities in Macau and the Pearl River Delta is in development. Besides giving clients more choices, an expanded product portfolio will also help to boost the Group's revenues in the long term.

Property and Other Investments Division

This division consists of treasury function, property investment and other investments held by the Group. Segmental profit amounted to HK\$3.2 million (2004: HK\$59.2 million) with a turnover of HK\$10.5 million (2004: HK\$2.1 million). The reduction in segmental profit is mainly due to the one-off profit arising from the disposal of Art Court in the first half of 2004. It is anticipated that this division's performance will improve in the second half of 2005.

Liquidity and Capital Resources

As of 30th June 2005, total assets of the Group were HK\$4,382 million which was financed by shareholders' funds of HK\$3,152 million, minority interests of HK\$806 million and current liabilities of HK\$217 million and non-current liabilities of HK\$207 million. The current ratio of the Group was 15.6 (31st December 2004: 6.2)

Cash available to the Group was approximately HK\$2,851 million as of 30th June 2005, HK\$2,456 million higher than the balance at 31st December 2004. Gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was 0.07 time as of 30th June 2005. The Group adopts a prudent treasury policy. The majority of the bank balances and cash is denominated in Hong Kong and US dollars and placed on short term deposits.

The Group has obtained banking facilities of HK\$269.8 million from various banks as of 30th June 2005 (31st December 2004: HK\$224.8 million) and HK\$80 million of these banking facilities was secured by margin clients' listed securities (31st December 2004: HK\$70 million), and banking facilities for HK\$49.8 million were secured by the pledging of HK\$85 million of the Group's assets. As of 30th June 2005, the Group utilized HK\$22 million and HK\$28 million of unsecured and secured banking facilities respectively (31st December 2004: unsecured HK\$15 million) and these amounts were repaid on 6th July 2005.

Regulatory and Compliance

The Group is committed to building and maintaining high standards of corporate governance. The Group applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, with certain deviations mentioned below, throughout the review period.

Apart from the audit committee and remuneration committee required by the Listing Rules, the Group has established four additional board committees to ensure maintenance of a high corporate governance standard. Terms of reference of all board committees set up by the Group have been posted on the Group's website, as have (1) division of responsibilities between the Group's Chairman and Managing Director and (2) duties and powers delegated to the Group's Managing Director and matters reserved for decision of the board.

Employees

As of 30th June 2005, the Group employed a total of 791 employees, of which 409 and 375 are stationed in Hong Kong and Macau while the rest are stationed in PRC. Staff costs and employee benefit expenses, for the first six months amounted to HK\$65.3 million (2004: HK\$51.8 million). Employees are appointed and promoted according to their suitability for positions. Employees' salaries and related benefits are performance based and subject to review by Management annually. In addition, the Group operates share option schemes, under which options are granted to employees to recognize their contributions and retain them.

Events subsequent to 30th June 2005

- (a) In March 2005, the Group entered into an agreement pursuant to which the Group would acquire the remaining 30% equity interests in Great Wonders from STDM at a consideration of HK\$400 million. The consideration comprises HK\$200 million cash and ordinary shares of the Company amounting to HK\$200 million. The acquisition was approved by the shareholders of the Company at a shareholders' meeting held in mid-June and was completed in late July 2005. In July 2005, Great Wonders accepted an offer from the Macau Government to develop the Crown Macau Hotel with casino facilities on a piece of land at Taipa, Macau. It is anticipated that the said piece of land will be granted to Great Wonders within the fourth quarter 2005 and the whole development project will be completed by March 2007.
- (b) In May 2005, the Group entered into an agreement pursuant to which the Group would acquire from Great Respect Limited (a company controlled by a family trust of Dr. Stanley Ho) (Great Respect) the remaining 49.2% interest in a joint venture which would be granted with the development rights on a piece of land at Cotai, Macau for establishing an integrated entertainment resort named "City of Dreams" pursuant to an offer from the Macau Government made in April 2005. The cash consideration for the acquisition was HK\$1,175 million and Great Respect undertook to subscribe the entire amount of the said consideration for the Convertible Notes of the Company. The transaction was approved by the shareholders of the Company at a shareholders' meeting held in August 2005 and was completed in early September 2005. The Convertible Notes issued by the Company is non-interest bearing and convertible into ordinary shares of the Company at a conversion price of HK\$9.965 per share. It is anticipated that the piece of land for the "City of Dreams" project will be granted to the Group in 2006 and the whole development project will be completed by 2008.

- (c) In July 2005, the board of directors of a wholly owned subsidiary, Melco Investment Holdings Limited, has approved the purchase of a property located in Macau with consideration of approximately HK\$45,000,000. Completion of this transaction has taken place in late August 2005.

Outlook

Macau's economic development is moving ahead at a stellar pace and the city is quickly becoming a desired vacation destination. As the Mainland Chinese Government's individual traveler scheme is further relaxed, an influx of Chinese tourists is expected. Macau's recently granted status as a United Nations World Heritage Site is also expected to be a draw for tourism. Melco is uniquely positioned to take full advantage of the business opportunities this growth presents. With Mocha Slot Clubs targeting the grind market, the City of Dreams project targeting the mass market, and the Crown Macau targeting high rollers, Melco is ready to capture the opportunities brought about by the Macau's boom and transformation in the entertainment industry.

Mocha will continue to look for expansion opportunities in high traffic areas in and nearby 2-star and 3-star hotels. City of Dreams and Crown Macau will have over 3,500 and 1,000 slots respectively. Slot machines account for 50% of revenue in Las Vegas and Australia, while currently contributing only a fraction of overall gambling revenue in Macau. The group is confident that this sector stands to experience exponential growth in the years ahead.

With the perfect platform of Melco-PBL's exclusive pan-Asian partnership, the Group is well prepared to capitalize on other lucrative opportunities available in the gaming and entertainment industry throughout Asia.

Share Subdivision

In order to increase liquidity and better position itself to take advantage of market sentiment, Melco implemented its share sub-division on the Hong Kong Stock Exchange by subdividing each of its shares of HK\$1.00 each into two shares of HK\$0.50 each and change the board lot size from 2,000 shares to 1,000 subdivided shares. The split approved at the annual general meeting by shareholders and subsequently by the Listing Committee of the Stock Exchange of Hong Kong, allows for increased capital flow and liquidity.

By Order of the Board
Ho, Lawrence Yau Lung
Group Managing Director

Hong Kong, 12th September 2005

Independent Review Report

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 12 to 35.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 12th September 2005

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Notes	Six months ended 30th June	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited) (restated)
Turnover	4	250,727	210,865
Other revenues		10,358	4,638
Cost of inventories sold		(71,719)	(86,312)
Staff cost		(61,870)	(50,108)
Depreciation of property, plant and equipment		(12,859)	(5,943)
Amortisation of intangible assets		(253)	(253)
Commission expenses		(18,561)	(27,161)
Gain on disposal of investment properties		—	57,176
Gain on deemed disposal of partial interest in subsidiaries	5	514,431	—
Increase in fair value of investment properties		8,000	—
Employee benefits expense		(3,438)	(1,715)
Other operating expenses		(64,071)	(36,676)
Finance costs		(5,235)	(1,235)
Share of profit of jointly controlled entities		2,200	—
Profit before taxation	6	547,710	63,276
Taxation (charge) credit	7	(4,486)	814
Net profit for the period		<u>543,224</u>	<u>64,090</u>
Attributable to:			
Equity holders of the Company		534,161	61,401
Minority interests		9,063	2,689
		<u>543,224</u>	<u>64,090</u>
Dividend paid	8	<u>4,910</u>	—
Earnings per share	9		
Basic		<u>HK54.66 cents</u>	<u>HK12.69 cents</u>
Diluted		<u>HK51.94 cents</u>	<u>HK12.31 cents</u>

Condensed Consolidated Balance Sheet

AT 30TH JUNE 2005

		30th June 2005	31st December 2004
	Notes	HK\$'000 (unaudited)	HK\$'000 (restated)
Non-current assets			
Investment properties	10	85,000	77,000
Property, plant and equipment	10	247,451	127,174
Interest in a property project	11	400,000	—
Interests in jointly controlled entities		2,200	100,000
Goodwill		245,366	389,937
Trading rights		2,533	2,786
Investment securities		—	27,754
Available-for-sale investments		24,637	—
Pledged bank deposits	12	267	177
Long term deposits		3,243	14,780
Other non-current assets		547	547
		1,011,244	740,155
Current assets			
Other investments		—	40,641
Investments held for trading		36,713	—
Inventories		2,758	3,768
Trade receivables	13	443,844	337,014
Prepayments, deposits and other receivables		33,107	40,919
Amount due from a jointly controlled entity		—	25,145
Amount due from an associate		2,000	—
Amounts due from related companies	14	1,200	1,119
Certificate of deposit		—	1,100
Bank balances and cash		2,850,868	394,966
		3,370,490	844,672

		30th June 2005	31st December 2004
	Notes	HK\$'000 (unaudited)	HK\$'000 (restated)
Current liabilities			
Trade payables	15	100,672	60,462
Other payables		37,298	35,153
Amount due to a related company		1,121	—
Taxation payable		3,202	1,888
Bank borrowings			
– due within one year		50,058	15,000
Convertible notes			
– due within one year	16	—	22,500
Finance lease payables		541	817
Shareholder's loan	19(c)(vii)	23,617	—
		<u>216,509</u>	<u>135,820</u>
Net current assets		<u>3,153,981</u>	<u>708,852</u>
Total assets less current liabilities		<u>4,165,225</u>	<u>1,449,007</u>
Non-current liabilities			
Shareholder's loan	19(c)(vii)	—	23,158
Deferred tax liabilities		56,341	6,942
Convertible notes			
– due after one year	16	150,468	118,126
		<u>206,809</u>	<u>148,226</u>
		<u>3,958,416</u>	<u>1,300,781</u>
Capital and reserves			
Share capital	17	561,219	463,244
Reserves		2,591,604	761,921
Equity attributable to equity holders of the Company		<u>3,152,823</u>	<u>1,225,165</u>
Minority interests		<u>805,593</u>	<u>75,616</u>
		<u>3,958,416</u>	<u>1,300,781</u>

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

Attributable to the equity holders of the Company											
	Share capital	Share premium	Capital reserve	Investment property revaluation reserve	Other revaluation reserve	Legal reserve	Share options reserve	(Accumulated losses) retained profit	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January 2004											
as originally stated	221,997	49,677	357,785	82,948	-	-	-	(251,685)	460,722	62,952	523,674
Effects of changes in accounting policies (Note 2A)	-	-	-	-	-	-	-	(4,686)	(4,686)	-	(4,686)
As restated	221,997	49,677	357,785	82,948	-	-	-	(256,371)	456,036	62,952	518,988
Profit for the period	-	-	-	-	-	-	-	61,401	61,401	2,689	64,090
Total recognised income for the period	-	-	-	-	-	-	-	61,401	61,401	2,689	64,090
Exercise of share options	1,891	8	-	-	-	-	-	-	1,899	-	1,899
Shares issued at premium	153,478	211,033	-	-	-	-	-	-	364,511	-	364,511
Share issuance expenses	-	(60)	-	-	-	-	-	-	(60)	-	(60)
Reserve realised upon disposal of investment properties	-	-	-	(56,176)	-	-	-	-	(56,176)	-	(56,176)
Increase in minority interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	9,405	9,405
Recognition of equity settled share based payments	-	-	-	-	-	-	1,715	-	1,715	-	1,715
At 30th June 2004	377,366	260,658	357,785	26,772	-	-	1,715	(194,970)	829,326	75,046	904,372
Loss for the period	-	-	-	-	-	-	-	(1,679)	(1,679)	1,797	118
Total recognised income for the period	-	-	-	-	-	-	-	(1,679)	(1,679)	1,797	118



Attributable to the equity holders of the Company

	Share capital	Share premium	Capital reserve	Investment property revaluation reserve	Other revaluation reserve	Legal reserve	Share options reserve	(Accum- lated losses) retained profit	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exercise of share options	9,978	5,058	-	-	-	-	-	-	15,036	-	15,036
Shares issued at premium	75,900	318,780	-	-	-	-	-	-	394,680	-	394,680
Share issue expenses	-	(16,516)	-	-	-	-	-	-	(16,516)	-	(16,516)
Transfer	-	-	-	-	-	254	-	(254)	-	-	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	3,720	-	3,720	-	3,720
Recognition of equity component of convertible notes	-	-	4,374	-	-	-	-	-	4,374	-	4,374
Decrease in minority interest resulting from acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,227)	(1,227)
Dividend paid	-	-	(3,776)	-	-	-	-	-	(3,776)	-	(3,776)
At 31st December 2004	463,244	567,980	358,383	26,772	-	254	5,435	(196,903)	1,225,165	75,616	1,300,781
Effects of changes in accounting policies (Note 2A)	-	-	-	(26,772)	-	-	-	26,772	-	-	-
As restated	463,244	567,980	358,383	-	-	254	5,435	(170,131)	1,225,165	75,616	1,300,781
Profit for the period	-	-	-	-	-	-	-	534,161	534,161	9,063	543,224
Total recognised income for the period	-	-	-	-	-	-	-	534,161	534,161	9,063	543,224



Attributable to the equity holders of the Company

	Share capital	Share premium	Capital reserve	Investment property revaluation reserve	Other revaluation reserve	Legal reserve	Share options reserve	(Accumulated losses) retained profit	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exercise of share options	8,410	9,866	-	-	-	-	-	-	18,276	-	18,276
Shares issued at premium	70,000	1,207,500	-	-	-	-	-	-	1,277,500	-	1,277,500
Share issuance expenses	-	(38,335)	-	-	-	-	-	-	(38,335)	-	(38,335)
Shares conversion on convertible notes	19,565	25,435	-	-	-	-	-	-	45,000	-	45,000
Increase in minority interests on deemed disposal of partial interest in subsidiaries	-	-	-	-	-	-	-	-	-	615,028	615,028
Recognition of equity-settled share based payments	-	-	-	-	-	-	3,439	-	3,439	-	3,439
Recognition of equity component of convertible notes	-	-	16,050	-	-	-	-	-	16,050	-	16,050
Increase in minority interest and other revaluation reserve resulting from acquisition of subsidiaries	-	-	-	-	76,477	-	-	-	76,477	105,886	182,363
Realisation of other revaluation reserve upon deemed disposal of partial interest in subsidiaries	-	-	-	-	(30,591)	-	-	30,591	-	-	-
Dividend paid	-	-	(4,910)	-	-	-	-	-	(4,910)	-	(4,910)
At 30th June 2005	561,219	1,772,446	369,523	-	45,886	254	8,874	394,621	3,152,823	805,593	3,958,416

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Six months ended 30th June	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Net cash used in operating activities	(12,324)	(125,699)
Net cash from investing activities:		
Proceeds from disposal of property, plant and equipment	550	2,186
Proceeds from disposal of investment properties	—	83,000
Proceeds from disposal of partial interest in subsidiaries	1,271,400	—
Other investing cash flows	(92,126)	(5,286)
	1,179,824	79,900
Net cash from financing activities:		
Proceeds on issue of shares	1,277,500	1,891
Other finance cash flows	10,902	66,951
	1,288,402	68,842
Net increase in cash and cash equivalents	2,455,902	23,043
Cash and cash equivalents at beginning of the period	394,966	142,771
Cash and cash equivalents at end of the period, represented by bank balance and cash	2,850,868	165,814

Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based Payments

In the current period, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. In relation to share options granted before 1st January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and had not yet vested on 1st January 2005 (see Note 2A for the financial impact).

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated (see Note 2A for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The amount held in investment property revaluation reserve at 1st January 2005 has been transferred to the Group's accumulated losses (see Note 2A for the financial impact).

Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 2A for the financial impact).

At the date of authorization of these financial statements, the following new HKFRSs and Interpretations were in issue but not yet effective:

HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – INT 4	Determining whether an arrangement contains a lease
HKFRS – INT 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation funds
Amendment to HKAS 19	Actuarial gains and losses, group plans and disclosures
Amendment to HKFRS 39	Transitional initial recognition of financial assets and financial liabilities
Amendment to HKFRS 39	The fair value option

The Group is not yet in a position to determine whether these standards and interpretations would have a significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended 30th June	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Expenses in relation to share options granted	(3,439)	(1,715)
Increase in interest on the liability component of convertible notes	(301)	–
Increase in fair value of investment properties	8,000	–
Deferred tax arise from increase in fair value of investment properties	(1,400)	–
Increase (decrease) in profit for the period	<u>2,860</u>	<u>(1,715)</u>

The cumulative effects of the application of the new HKFRSs as at 31st December 2004 and 1st January 2005 are summarised below:

	As at 31st December 2004 (originally stated) HK\$'000	Adjustment HK\$'000	As at 31st December 2004 (restated) HK\$'000	Adjustment HK\$'000	As at 1st January 2005 (restated) HK\$'000
Balance sheet items					
Investment securities	27,754	–	27,754	(27,754)	–
Available-for-sale investments	–	–	–	27,754	27,754
Other investments	40,641	–	40,641	(40,641)	–
Investments held for trading	–	–	–	40,641	40,641
Deferred tax liabilities	(2,256)	(4,686)	(6,942)	–	(6,942)
Convertible notes					
– due after one year	(122,500)	4,374	(118,126)	–	(118,126)
Total effects on assets and liabilities	<u>(56,361)</u>	<u>(312)</u>	<u>(56,673)</u>	<u>–</u>	<u>(56,673)</u>
Accumulated losses	(186,782)	(10,121)	(196,903)	26,772	(170,131)
Share options reserve	–	5,435	5,435	–	5,435
Capital reserve	354,009	4,374	358,383	–	358,383
Investment properties revaluation reserve	<u>26,772</u>	<u>–</u>	<u>26,772</u>	<u>(26,772)</u>	<u>–</u>
Total effects on equity	<u>193,999</u>	<u>(312)</u>	<u>193,687</u>	<u>–</u>	<u>193,687</u>

The financial effect of the application of the new HKFRSs to the Group's equity at 1st January 2004 are summarised below:

	As originally stated HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Accumulated losses	<u>(251,685)</u>	<u>(4,686)</u>	<u>(256,371)</u>

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group's business can be principally segregated to four segments during the period:

The leisure and entertainment segment, which mainly comprises (a) leasing of electronic gaming machines and provision of ancillary management services to casino operators in Macau and (b) provision of catering services.

The technology segment, which mainly comprises (a) provision of gaming technology consultation services in Macau and (b) development and sale of financial trading and settlement systems in Asia.

The investment banking and financial services segment (operated through Value Convergence Holdings Limited), which mainly comprises (a) provision of corporate finance advisory service, initial public offerings and mergers and acquisition advisory services; and (b) broking and dealing for clients in securities, futures and options contracts.

The property and other investments segment, which mainly comprises property investments, other investments and related activities.

4. SEGMENTAL INFORMATION

Segment information about these businesses is presented below:

Six months ended 30th June 2005 (unaudited):

	Leisure and entertainment HK\$'000	Technology HK\$'000	Investment banking and financial services HK\$'000	Property and other investments HK\$'000	Consolidated HK\$'000
Turnover	113,719	75,453	51,801	15,777	256,750
Inter-segment sales	(344)	–	(354)	(5,325)	(6,023)
Total turnover	<u>113,375</u>	<u>75,453</u>	<u>51,447</u>	<u>10,452</u>	<u>250,727</u>
Segment result	<u>555,125</u>	<u>6,744</u>	<u>7,688</u>	<u>3,222</u>	<u>572,779</u>
Unallocated corporate expenses					(22,034)
Finance costs					(5,235)
Share of results of jointly controlled entities					<u>2,200</u>
Profit before taxation					547,710
Taxation charge					<u>(4,486)</u>
Net profit for the period					<u><u>543,224</u></u>

Six months ended 30th June 2004 (unaudited)

	Leisure and entertainment HK\$'000 (restated)	Technology HK\$'000 (restated)	Investment banking and financial services HK\$'000 (restated)	Property and other investments HK\$'000 (restated)	Consolidated HK\$'000 (restated)
Turnover	37,741	105,961	65,292	2,096	211,090
Inter-segment sales	(38)	(187)	–	–	(225)
Total turnover	<u>37,703</u>	<u>105,774</u>	<u>65,292</u>	<u>2,096</u>	<u>210,865</u>
Segment result	<u>(5,228)</u>	<u>9,046</u>	<u>9,017</u>	<u>59,181</u>	<u>72,016</u>
Unallocated cost					(7,505)
Finance costs					<u>(1,235)</u>
Profit before taxation					63,276
Taxation credit					<u>814</u>
Net profit for the period					<u><u>64,090</u></u>

5. GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN SUBSIDIARIES

On 23rd November 2004, the Company entered into a Heads of Agreement ("Heads of Agreement") with Publishing and Broadcasting Limited ("PBL") and PBL Asia Investments Limited ("PBL Asia"), a wholly-owned subsidiary of PBL, to establish a joint venture group for pursuance of gaming and hospitality businesses ("JV Group"). The Heads of Agreement was superseded by a Subscription Agreement ("Subscription Agreement") entered into between the parties on 23rd December 2004. Under the Subscription Agreement, the Company contributed its interests in Mocha Slot Group Limited and its subsidiaries ("Mocha Slot") and 70% interests of Great Wonders, to the JV Group while PBL contributed HK\$1.27 billion (equivalent to US\$ 163 million) cash to the JV Group. The Subscription Agreement was completed on 8th March 2005. As a result of the above arrangements, the Group's effective equity interest in Mocha Slot and Great Wonders were decreased from 80% and 70% to 48% and 42%, respectively, the Group then recognised a gain on deemed disposal of partial interest in subsidiaries of approximately HK\$514,431,000 during the period ended 30th June 2005 accordingly.

6. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Profit before taxation has been arrived at
after charging:

Allowance for doubtful receivables	887	—
Unrealised loss on investments held for trading	126	—

and after crediting:

Dividend income from available-for-sale investments	1,602	—
Unrealised gain on other investments	—	419
	<u> </u>	<u> </u>

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (30th June 2004: 17.5%) on the estimated assessable profit for the period. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

	Six months ended 30th June	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
The charge(credit) comprises:		
Hong Kong Profits Tax		
Current period	96	—
Overprovision in prior period	—	(619)
Other jurisdiction		
Current period	4,297	129
Overprovision in prior period	(1,307)	—
Deferred taxation	1,400	(324)
Taxation charge (credit)	<u>4,486</u>	<u>(814)</u>

8. DIVIDEND

During the period ended 30th June 2005, a dividend of HK\$0.01 per share (30th June 2004: nil) was paid to shareholders as the final dividend for 2004.

The directors declared an interim dividend of HK\$0.01 per share (30th June 2004: HK\$0.005 per share) to the shareholders of the Company whose names appear in the Register of Members on 10th October 2005. The above dividend per share data has been adjusted for the share sub-division on 19th May 2005 (Note 17).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period attributable to equity holders of the Company)	534,161	61,401
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	2,702	90
Adjustments to the share of results of a subsidiary based on potential dilution of its earnings per share	(33)	—
Earnings for the purpose of diluted earning per share	536,830	61,491

	Six months ended 30th June	
	2005	2004
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	977,307,406	483,843,084
Effect of dilutive potential ordinary shares:		
Share options	26,056,087	13,398,524
Convertible notes	30,145,674	2,358,546
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,033,509,167	499,600,154

The weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earning per share has been adjusted for the share subdivision on 19th May 2005 (Note 17).

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's construction in progress increased by approximately HK\$33,241,000 as a result of acquisition of a subsidiary (Note 11). In addition, the Group spent approximately HK\$56,160,000 in respect of the construction of a property project in Macau. Also, the Group spent approximately HK\$24,459,000 on purchase of gaming machines for the expansion of its electronic gaming business.

During the period, the Group disposed of property, plant and equipment with a carrying amount of approximately HK\$328,000 for a proceed of approximately HK\$550,000, resulting in a gain on disposal of HK\$222,000.

The Group's investment properties were revalued by the directors at 30th June 2005. The resulting revaluation surplus of HK\$8,000,000 has been credited to the income statement.

An impairment loss of HK\$174,000 was recognised during the period in respect of obsolete furniture, fixtures and equipment.

11. ACQUISITION OF A SUBSIDIARY

During the period ended 30th June 2005, the Group completed the acquisition of additional 20% issued share capital of Great Wonders, a company in which the Group held 50% equity interest as at 31st December 2004. The principal activities of Great Wonders was to apply to the Macau Government for the concession of a parcel of land located in Taipa, Macau (the "Land") and to develop the Land into a six-star hotel and entertainment complex with one of the largest casino and electronic gaming machine areas. An offer letter was received from the Macau Government on 24th June 2005 regarding the concession of land.

The fair value of the assets and liabilities of Great Wonders at the date of acquisition are as follows:

	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Interest in a property project	—	400,000	400,000
Construction in progress	33,241	—	33,241
Amount due from a shareholder	969	—	969
Other payable	(33,256)	—	(33,256)
Deferred tax liabilities	—	(48,000)	(48,000)
	<u>954</u>	<u>352,000</u>	<u>352,954</u>
Minority interests	—	—	(105,886)
Interest in a jointly controlled entity eliminated upon acquisition of a subsidiary	<u>—</u>	<u>—</u>	<u>(176,477)</u>
	<u>954</u>	<u>352,000</u>	<u>70,591</u>
Purchase consideration satisfied by:			
Issuance of convertible notes			<u>70,591</u>

Great Wonders contributed nil revenue and incurred a post-acquisition loss of approximately HK\$78,000 for the period between the date of acquisition and the balance sheet date. Prior to 1st January 2005, Great Wonders has nil revenue and expense.

Subsequent to the acquisition, the Group has injected its 70% equity interests of Great Wonders to the JV Group pursuant to a Subscription Agreement. Please see Note 5 for details.

12. PLEDGE OF ASSETS

At 30th June 2005, the Group's bank deposit amounting to approximately HK\$267,000 (31st December 2004: HK\$177,000) was pledged for tendering of contracts with the Macau government by a subsidiary of the Group.

13. TRADE RECEIVABLES

	As at 30th June 2005 HK\$'000 (unaudited)	As at 31st December 2004 HK\$'000
Trade receivables (excluding receivables balance arising from margin clients securities transactions)	243,919	171,681
Allowance for doubtful receivables	—	(323)
	<u>243,919</u>	<u>171,358</u>
Trade receivables arising from margin clients securities transactions (Note b)	199,925	165,656
	<u>443,844</u>	<u>337,014</u>

The aged analysis of trade receivables (excluding the receivables balance arising from margin clients securities transactions) is as follows:

	As at 30th June 2005 HK\$'000 (unaudited)	As at 31st December 2004 HK\$'000
Within 30 days	195,476	157,881
31 – 90 days	20,739	10,624
Over 90 days	27,704	3,176
	<u>243,919</u>	<u>171,681</u>

- (a) The Group's Leisure and entertainment segment and Property and other investments segment are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 90 days would be granted.
- (b) Trade receivable arising from the ordinary course of business of broking in securities and equity options transactions and dealing in futures and options in the investment banking and financial services segment as at 30th June 2005 amounted to approximately HK\$395,895,000 (31st December 2004: HK\$306,189,000). The settlement terms of the trade receivables arising from the ordinary course of business of broking in securities and equity options transactions are usually two trading days after the trade date of the transactions; and the trade receivables arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand.

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aging analysis on margin client's receivables is disclosed as, an aging analysis is not meaningful in view of the nature of the business of securities margin financing.

- (c) Other trade receivables on the Group's Technology segment are due immediately from date of billing but the Group and the Company will generally grant a normal credit period of 30 days on average to its customers.

14. AMOUNTS DUE FROM RELATED COMPANIES

	As at 30th June 2005 HK\$'000 (unaudited)	As at 31st December 2004 HK\$'000
Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") (Note a)	–	519
Gold Carousel Investment Limited ("GCIL") (Note b)	<u>1,200</u>	<u>600</u>
	<u>1,200</u>	<u>1,119</u>

Notes:

- (a) The amount due from STDM, a related company of which Dr. Stanley Ho is a director and has direct beneficial interests, represented receivables in respect of the sales of souvenirs by the Group.
- (b) The amount due from GCIL, a related company of which Dr. Stanley Ho is a director, represented receivables in respect of the management services provided by one of the subsidiaries of the Group (note 19(c)(vi)).

15. TRADE PAYABLES

	As at 30th June 2005 HK\$'000 (unaudited)	As at 31st December 2004 HK\$'000
Within 30 days	1,212	14,313
31-90 days	6,650	4,459
Over 90 days	<u>13,827</u>	<u>5,224</u>
	21,689	23,996
Trade payables arising from the ordinary course of business of dealing in securities transactions (Note)	<u>78,983</u>	<u>36,466</u>
	<u>100,672</u>	<u>60,462</u>

Note:

The settlement terms of trade payables arising from the ordinary course of business of dealing in securities transactions for the investment banking and financial services segment are usually two trading days after trade date. These trade payables are repayable on demand and are aged within 30 days.

16. CONVERTIBLE NOTES

On 9th November 2004, the Company issued a convertible note due on 8th November 2009 with a principal amount of HK\$100,000,000, which is interest-bearing at 4% per annum. Besides, on 8th February 2005, the Company has also issued another convertible note due on 7th February 2010 with a principal amount of HK\$56,000,000, which is also interest-bearing at 4% per annum. Both convertible notes were issued for the purpose of developing a land which will consist of a six star hotel with casino and electronic gaming machine lounge.

The convertible note due on 8th November 2009 is convertible into fully paid ordinary shares of HK\$0.5 each, after adjustment for the share subdivision on 19th May 2005, of the Company at a conversion price of HK\$2 per share convertible in the period, commencing 3 years from the date of issuance until, and including, the maturity date which is 8th November 2009.

The convertible note due on 7th February 2010 is convertible into fully paid ordinary shares of HK\$0.5 each, after adjustment for the share subdivision on 19th May 2005, of the Company at a initial conversion price of HK\$4.1 per share convertible in the period, commencing 3 years from the date of issuance until, and including, the maturity date which is 7th February 2010.

The conversion prices mentioned above have been adjusted for the share subdivision on 19th May 2005.

On 11th April 2005, convertible note due on 30th June 2005 and 30th June 2006, which was issued during the year ended 31st December 2004, had been converted into the ordinary shares of the Company. Total number of ordinary shares converted is 39,130,432 shares of HK\$0.5 each, after adjustment for the share subdivision on 19th May 2005.

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30th June 2005	31st December 2004	30th June 2005 HK\$'000	31st December 2004 HK\$'000
	(unaudited)		(unaudited)	
Authorised:				
At beginning and end of the period/year of HK\$1 each	700,000,000	480,000,000	700,000	480,000
Increase in authorised ordinary share capital	–	220,000,000	–	220,000
Subdivision of one share of HK\$1 each into two shares of HK\$0.5 each (Note)	700,000,000	–	–	–
At the end of the period/year of HK\$0.5 each	<u>1,400,000,000</u>	<u>700,000,000</u>	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:				
At beginning of the period/year of HK\$1 each	463,244,054	221,997,007	463,244	221,997
Exercise of share options before subdivision	8,210,000	11,868,786	8,210	11,869
Conversion of convertible notes	19,565,216	–	19,565	–
Subdivision of one share of HK\$1 each into two shares of HK\$0.5 each (Note)	491,019,270	–	–	–
Issue of shares	140,000,000	229,378,261	70,000	229,378
Exercise of shares options after subdivision	400,000	–	200	–
At the end of the period/year of HK\$0.5 each	<u>1,122,438,540</u>	<u>463,244,054</u>	<u>561,219</u>	<u>463,244</u>

Note: On 18th May 2005, an ordinary resolution was passed by the shareholders of the Company to approve the subdivision (the "Subdivision") of each issued and unissued shares of HK\$1 each in the authorized share capital into two ordinary shares of HK\$0.5 each. The Subdivision became effective on 19th May 2005.

The shares issued during the period/year rank pari passu in all respects with the then existing shares.

18. CAPITAL COMMITMENTS

	30th June 2005 HK\$'000 (unaudited)	31st December 2004 HK\$'000
Commitment for the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>1,372,292</u>	<u>437</u>
Commitment for the acquisition of property, plant and equipment authorised but not contracted	<u>639,663</u>	<u>—</u>

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) The trade receivables include amounts due from related companies in relation to sales of computer hardware and software of approximately HK\$23,161,000 (31st December 2004: HK\$14,876,000).

The trade receivables include amounts due from Sociedade de Jogos de Macau, S.A., a subsidiary of STDM, in relation to the leasing of gaming machines and provision of ancillary management services of approximately HK\$10,384,000 (31st December 2004: HK\$8,462,000).

The prepayments, deposits and other receivables include nil (31st December 2004: HK\$1,044,000) amount due from customer on contracts in relation to sales of computer hardware and software to related companies.

- (b) The accruals and other payables include deposits received from related companies in relation to sales of computer hardware and software of approximately HK\$132,000 (31st December 2004: HK\$367,735,000).

- (c) Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Notes	Six months ended	
		30.6.2005	30.6.2004
		HK\$'000 (unaudited)	HK\$'000
Catering income earned from directors and related companies	(i)	2,533	1,414
Insurance premiums charged by a related company	(ii)	1,011	796
Property management fees charged by a related company	(iii)	—	250
Brokerage commission income earned from certain directors of the Group or their relatives	(iv)	76	160
Sales of computer hardware and software to related companies	(v)	39,403	89,935
Management fees received from a related company	(vi)	600	—
Interest expense on loan from a related company	(vii)	459	—
Interest expense on convertible notes to related parties	(viii)	1,791	—
Income from leasing of gaming machines and provision of ancillary management services to a related company	(ix)	<u>59,209</u>	<u>—</u>

Notes:

- (i) The Group earned catering income in respect of restaurant operations from certain directors and related companies for services provided at a discount ranging between 15% and 40%.
- (ii) The Group paid insurance premiums to Jardine Shun Tak Insurance Brokers Limited, an associate of Shun Tak Holdings Limited ("STHL"), to insure the properties and employees of the Group under the terms and conditions applicable to customers of comparable standing. Dr. Stanely Ho, a director of the Company, is also a director and has direct and indirect beneficial interests in STHL.
- (iii) The Group paid management fees to Shun Tak Property Management Limited ("STPML"), a subsidiary of STHL, on a reimbursement basis for building management expenditure paid by STPML on behalf of the Group.
- (iv) Brokerage commission income earned from transactions with related parties was at prices and terms no less than those transacted with other third party customers of the Group.

- (v) Service fees charge and computer hardware and software sold to related companies were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.
- (vi) The management fee from GCIL was determined on term agreed between the Group and GCIL.
- (vii) Interest expense on loan from a minority shareholder of a subsidiary of the Group was charged at 4 per cent per annum. The loan was unsecured and repayable on demand.
- (viii) Interest expense on convertible notes to related parties was charged at 4% per annum.
- (ix) The amount represents income from leasing of gaming machines and provision of ancillary management services to SJM.

20. OTHER ACQUISITION

A subsidiary, Melco Hotels and Resorts (Macau) Limited ("Melco Hotels"), has accepted in principle an offer from the Macau Government to grant to Melco Hotels a long term lease of land on the Cotai Strip, Macau. Based on a joint venture memorandum of agreement entered between Great Respect Limited and Melco Leisure and Entertainment Group Limited, a wholly-owned subsidiary of the Company, 49.2% interest in Melco Hotels was assigned to Great Respect Limited immediately after the Macau government offered the right to be granted for development rights in respect of land on the Cotai Strip, Macau on 21st April 2005.

Pursuant to an agreement signed with Great Respect Limited on 11th May 2005, Melco Leisure and Entertainment Group Limited has acquired the 49.2% interest in Melco Hotels for a consideration of HK\$1,175 million, subject to certain conditions precedents. Upon receipt of the cash consideration, Great Respect Limited has subscribed for the convertible notes having a principal amount of HK\$1,175 million, which is non-interest bearing and convertible into shares of the Company at a conversion price of HK\$9.965 per share, after adjustment for the share subdivision on 19th May 2005. The above acquisition was completed on 5th September 2005.

Disclosure of Interests

Directors' interests

As at 30th June 2005, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) *Interests in shares and underlying shares of the Company*

Name of Director	Nature of interest	Number of issued shares of the Company interested	Number of underlying shares of the Company interested	Approximate percentage of the total number of issued shares (Note 1)
Dr. Stanley Ho	Corporate	7,298,456 (Note 2)	117,912,694 (Note 4)	11.16%
	Personal	22,749,278 (Note 2)	–	2.03%
Mr. Lawrence Ho	Corporate	404,041,630 (Note 3)	117,912,694 (Note 4)	46.50%
	Personal	5,432,612	–	0.48%
Mr. Frank Tsui	Personal	5,400,000	–	0.48%
Mr. Ho Cheuk Yuet (Note 5)	Personal	3,632,612	–	0.32%
Dr. Lo Ka Shui	Personal	2,000,000	–	0.18%

Notes:

1. As at 30th June 2005, the total number of issued shares of the Company is 1,122,438,540.
2. Dr. Stanley Ho is taken to be interested in 7,298,456 shares of the Company as a result of him being beneficially interested in the entire issued share capital of each of Sharikat Investments Ltd., Dareset Ltd. and Lanceford Company Ltd. which in turn hold an aggregate of approximately 0.65% of the issued share capital of the Company. Apart from that, Dr. Stanley Ho personally holds 22,749,278 shares of the Company.
3. Mr. Lawrence Ho is taken to be interested in 115,509,024 shares of the Company as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 10.29% of the issued share capital of the Company. He is also taken to be interested in 288,532,606 shares of the Company as a result of him being interested in 77% of issued share capital of Better Joy Overseas Ltd. ("Better Joy") which in turn holds approximately 25.71% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If their indirect shareholding interests in the Company's shares through Better Joy are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 8.59% and 30.57% of the Company's shares.

4. Pursuant to an agreement dated 11th May 2005 entered into between Great Respect Limited, Melco Entertainment Limited and the Company, Great Respect Limited has agreed to subscribe for convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares of the Company will be issued by the Company. Great Respect Limited is a company controlled by a discretionary family trust of Dr. Stanley Ho, the beneficiaries of which are members of Dr. Stanley Ho's family including Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.
5. Mr. Ho Cheuk Yuet resigned as non-executive director on 5th September 2005.

(ii) *Interests in equity derivatives of the Company*

Name of director	Date of grant	Expiry date	Exercise price (HK\$)	Number of underlying shares comprised in the options outstanding
Mr. Lawrence Ho	19th February 2004	7th March 2012	1.2025	1,800,000
Mr. Frank Tsui	8th March 2002	7th March 2012	0.50	32,612
	19th February 2004	7th March 2012	1.2025	1,800,000

(iii) *Interests in shares of Value Convergence*

Name of director	Nature of interest	Number of issued shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Corporate	7,384,651 (Note 1)	2.96%
Mr. Lawrence Ho	Corporate	4,232,627 (Note 2)	1.70%

Notes:

1. Dr. Stanley Ho is taken to be interested in 7,384,651 shares of Value Convergence as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 2.96% of the issued share capital of Value Convergence.
2. Mr. Lawrence Ho is taken to be interested in 4,232,627 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.70% of the issued share capital of Value Convergence.

(iv) *Interests in equity derivatives of Value Convergence*

Name of director	Nature of interest	Number of underlying shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Personal	735,000 (Note 1)	0.29%
Mr. Lawrence Ho	Personal	1,226,057 (Note 2)	0.49%

Notes:

1. The personal interest of Dr. Stanley Ho represents his derivative interest in Value Convergence comprising the physically settled options which were granted on 6th April 2001 and may be exercised during the period from 6th April 2001 to 8th October 2005 at an exercise price of HK\$3.60 per Value Convergence's share.
2. The personal interest of Mr. Lawrence Ho represents his derivative interest in Value Convergence comprising the physically settled options as follows:
 - (i) 735,000 physically settled options which were granted on 6th April 2001 and may be exercised during the period from 6th April 2001 to 8th October 2005 at an exercise price of HK\$3.60 per Value Convergence's share; and
 - (ii) 491,057 physically settled options which were granted on 9th July 2002 and may be exercised during the period from 9th July 2002 to 8th July 2012 at an exercise price of HK\$1.00 per Value Convergence's share.

Save as disclosed above, as at 30th June 2005, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange 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 the Model Code for Securities Transactions by Directors of Listed Companies contained in the Main Board Listing Rules to be notified to the Company and the Stock Exchange.

Shareholders with Notifiable Interests

As at 30th June 2005, the interests and short positions of substantial shareholders of the Company and other persons in the shares, underlying shares and debentures of the Company which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein; or (c) were directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Nature of interest	Number of issued Shares interested	Number of underlying Shares interested	Approximate percentage of the total number of issued Shares (Note 1)
Better Joy Overseas Ltd.	Corporate	288,532,606 (Note 2)	–	25.71%
Lasting Legend Ltd.	Corporate	115,509,024 (Note 2)	–	10.29%
Great Respect Limited	Corporate	–	117,912,694 (Note 3)	10.51%
Dr. Stanley Ho	Corporate	7,298,456 (Note 4)	117,912,694 (Note 3)	11.16%
	Personal	22,749,278	–	2.03%
Mr. Lawrence Ho	Corporate	404,041,630 (Note 5)	117,912,694 (Note 3)	46.50%
	Personal	7,232,612	–	0.64%
Ms. Sharen Lo	Family	411,274,242 (Note 6)	117,912,694 (Note 3)	47.15%
SG Trust (Asia) Ltd	Corporate	–	117,912,694 (Note 3)	10.51%
Sociedade de Turismo e Diversões de Macau, S.A.	Corporate	–	85,880,758 (Note 7)	7.65%
Shun Tak Shipping Company Limited	Corporate	78,166,294	–	6.96%
JP Morgan Chase & Co.	Corporate	88,549,000	–	7.89%

Notes:

1. As at 30th June 2005, the total number of issued shares of the Company is 1,122,438,540.
2. The shares held by Better Joy and Lasting Legend Ltd. also represent the corporate interest of Mr. Lawrence Ho in the Company.
3. Pursuant to an agreement dated 11th May 2005 entered into between Great Respect Limited, Melco Entertainment Limited and the Company, Great Respect Limited has agreed to subscribe for convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares of the Company will be issued by the Company. Great Respect Limited is a company controlled by a discretionary family trust of Dr. Stanley Ho, the beneficiaries of which are members of Dr. Stanley Ho's family including Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd is the trustee of the aforesaid discretionary family trust.
4. Dr. Stanley Ho is taken to be interested in 7,298,456 shares of the Company as a result of him being beneficially interested in the entire issued share capital of each of Sharikat Investments Ltd., Dareset Ltd. and Lanceford Company Ltd. which in turn hold an aggregate of approximately 0.65% of the issued share capital of the Company.
5. Mr. Lawrence Ho is taken to be interested in 115,509,024 shares of the Company as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 10.29% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 288,532,606 shares of the Company as a result of him being beneficially interested in 77% of the issued share capital of Better Joy which in turn holds approximately 25.71% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of the issued share capital of Better Joy respectively. If their indirect shareholding interests in the Shares through Better Joy are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 8.59% and 30.57% of the Company's shares.
6. Ms Sharen Lo is the spouse of Mr. Lawrence Ho and is deemed to be interested in shares of the Company in which Mr. Lawrence Ho is interested in under the SFO.

7. Two convertible notes respectively for the principal amounts of HK\$100 million and HK\$56 million carrying the respectively rights to subscribe for shares at an initial conversion price of HK\$4.00 and HK\$8.2 respectively were issued by the Company to Sociedade de Turismo e Diversoes de Macau, S.A. on 9th November 2004 and 8th February 2005 respectively pursuant to two agreements disclosed in the announcements and the circulars of the Company respectively dated 13th September 2004, 11th October 2004, 23rd November 2004 and 5th January 2005. As at 30th June 2005, the total outstanding principal amount of the said convertible notes is HK\$156 million. Due to the share subdivision on 19th May 2005, the said conversion prices of HK\$4.00 and HK\$8.2 have been adjusted to HK\$2.00 and HK\$4.1 respectively. If Sociedade de Turismo e Diversoes de Macau, S.A. exercises the conversion rights attached to the said convertible notes in full, a total of 63,658,536 shares of the Company will be issued to Sociedade de Turismo e Diversoes de Macau, S.A. In addition, 22,222,222 shares of the Company (adjusted as a result of share subdivision on 19th May 2005) will be issued to Sociedade de Turismo e Diversoes de Macau, S.A. sometime in the future (upon grant of the land by the Macau Government for the development project in Taipa, Macau) as part of the consideration for the acquisition of 30% interests in Great Wonders, Investments, Limited.

Save as disclosed herein, so far as the Directors were aware, as at 30th June 2005, no other persons had interests or short positions in the shares, underlying shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, nor were there any other persons required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, or directly or indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Information of Share Option Scheme

The following share options were outstanding under the Scheme during the six months period ended 30th June 2005:

Name of category of participant	At 1st January 2005 ⁽¹⁾	Number of share options		At 30th June 2005 ⁽¹⁾	Date of grant of share options ⁽³⁾	Share price	Exercise price of share options ^(1, 4)
		Granted during the period ⁽¹⁾	Exercised during the period ^(1, 2)			at date of grant of share options ⁽¹⁾	
Directors ⁽⁵⁾	32,612	-	-	32,612	8th March 2002	HK\$0.41	HK\$0.50
Directors ⁽⁶⁾	7,200,000	-	3,600,000	3,600,000	19th February 2004	HK\$1.175	HK\$1.2025
Subtotal	7,232,612	-	3,600,000	3,632,612			
Employees ⁽⁷⁾	4,455,340	-	-	4,455,340	13th September 2002	HK\$0.55335	HK\$0.55335
Employees ⁽⁸⁾	16,340,000	-	8,120,000	8,220,000	19th February 2004	HK\$1.175	HK\$1.2025
Employees ⁽⁹⁾	3,868,000	-	1,200,000	2,668,000	17th September 2004	HK\$1.6875	HK\$1.6875
Employees ⁽¹⁰⁾	-	2,059,400	-	2,059,400	1st February 2005	HK\$7.4	HK\$7.4
Sub-total	24,663,340	2,059,400	9,320,000	17,402,740			
Others	3,900,000	-	3,900,000	-	13th September 2002	HK\$0.55335	HK\$0.55335
Others ⁽¹¹⁾	2,000,000	-	-	2,000,000	19th February 2004	HK\$1.175	HK\$1.2025
Others ⁽¹²⁾	9,000,000	-	-	9,000,000	17th September 2004	HK\$1.6875	HK\$1.6875
Sub-total	14,900,000	-	3,900,000	11,000,000			
Total	46,795,952	2,059,400	16,820,000	32,035,352			

Notes:

- (1) The number of share options, the share price at grant date and the exercise price of the share options were adjusted after the completion of rights issue on 24th September 2003 and/or share subdivision on 19th May 2005.
- (2) No share option has lapsed or been cancelled during the period.
- (3) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

- (4) As at 30th June 2005, the Company had 32,035,352 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,035,352 additional ordinary shares of the Company and additional share capital of approximately HK\$16,017,676 and share premium of approximately HK\$38,011,852 before issue expenses.
- (5) As at 30th June 2005, 32,612 physically settled options may be exercised during the period from 8th September 2002 to 7th March 2012.
- (6) As at 30th June 2005, 3,600,000 physically settled options may be exercised during the period from 19th February 2006 to 7th March 2012.
- (7) Among 4,455,340 physically settled options as at 30th June 2005, 2,227,670 physically settled options may be exercised during the period from 13th September 2002 to 7th March 2012 and 2,227,670 physically settled options may be exercised during the period from 13th March 2003 to 7th March 2012.
- (8) As at 30th June 2005, 8,220,000 physically settled options may be exercised during the period from 19th February 2006 to 7th March 2012.
- (9) Among 2,668,000 physically settled options as at 30th June 2005, 800,000 physically settled options may be exercised during the period from 17th March 2005 to 7th March 2012; 1,188,000 physically settled options may be exercised during the period from 17th September 2005 to 7th March 2012; 350,000 physically settled options may be exercised during the period from 17th September 2006 to 7th March 2012 and 330,000 physically settled options may be exercised during the period from 17th March 2008 to 7th March 2012.
- (10) Among 2,059,400 physically settled options as at 30th June 2005, 944,000 physically settled options may be exercised during the period from 17th September 2006 to 7th March 2012; 915,400 physically settled options may be exercised during the period from 17th March 2008 to 7th March 2012 and 200,000 physically settled options may be exercised during the period from 17th September 2009 to 7th March 2012.
- (11) Among 2,000,000 physically settled options as at 30th June 2005, 1,000,000 physically settled options may be exercised during the period from 19th February 2005 to 7th March 2012 and 1,000,000 physically settled options may be exercised during the period from 19th February 2006 to 7th March 2012.
- (12) Among 9,000,000 physically settled options as at 30th June 2005, 4,500,000 physically settled options may be exercised during the period from 17th March 2005 to 7th March 2012 and 4,500,000 physically settled options may be exercised during the period from 17th September 2005 to 7th March 2012.

Regarding the share options granted during the period to directors, employees and others, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because, in the absence of a readily available market for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to building and maintaining high standards of corporate governance. The Group applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, with certain deviations mentioned below, throughout the review period.

Code provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

Code provision B.1.1 provides that a listed company should establish a remuneration committee for the purpose of, among others, recommending to the board on such company's policy and structure for remuneration of directors and senior management. The Company has not established a remuneration committee during the review period as the directors' and senior management's remuneration is not due for review during such period. To prepare for such review in the second half of 2005, the Company has recently established a remuneration committee in compliance with the code provision. Terms of reference of such committee have been posted on the Company's website.

On 3rd August 2005, the Group set up the following board committees and adopted its own strict code on corporate governance:

- (a) Executive Committee;
- (b) Audit Committee (terms of reference of the audit committee adopted on 24th March 1999 were superseded by the new terms of reference adopted on 3rd August 2005);
- (c) Remuneration Committee;
- (d) Nomination Committee;
- (e) Finance Committee;
- (f) Regulatory Compliance Committee.

The Company's code on corporate governance contains the code provisions in the CG Code and other provisions, and has been posted on the Company's website.

Apart from the audit committee and remuneration committee required by the Listing Rules, the Group has established four additional board committees to ensure maintenance of a high corporate governance standard. Terms of reference of all board committees set up by the Group have been posted on the Group's website, as have (1) division of responsibilities between the Group's Chairman and Managing Director and (2) duties and powers delegated to the Group's Managing Director and matters reserved for decision of the board.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the six months period ended 30th June 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June 2005 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by Deloitte Touche Tohmatsu, whose independent review report is included in this interim report.

The 2005 interim results and this interim report have also been reviewed by the Audit Committee of the Company. Regular meetings have been held by the Committee since its establishment. The Committee meets at least twice a year.