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Melco International Development Limited Annual Report 2003



Melco

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



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Mission

1. To continue the glorious corporate legend as one of the first 100 companies to have been established in Hong Kong by building the group to be a successful business conglomerate in the region and a leader in each of the core businesses.
2. To provide products and services of the highest quality through employing cutting edge technology and the best employees.
3. To be a dynamic organization by staying at the forefront of global business trends with maximum business sensitivity.
4. To be an exemplary employer by providing a most rewarding career and the best work environment for employees.
5. To optimize the value of the group and offer shareholders a good and consistent return through implementing a dynamic business strategy.
6. To maintain the highest level of corporate governance and ethical standards.
7. To be a caring member of the society and at the forefront in assuming and discharging social responsibilities.



Board of Directors

Dr. Stanley Ho
Chairman

Mr. Lawrence Ho
Managing Director

Mr. Frank Tsui
Executive Director

Sir Roger Lobo
Independent Non-Executive Director

Mr. Robert Kwan
Independent Non-Executive Director

Mr. Ng Ching Wo
Independent Non-Executive Director

Mr. Ho Cheuk Yuet
Non-Executive Director

Mr. Peter So
Non-Executive Director
(resigned on 1 April 2004)

Audit Committee

Mr. Robert Kwan
Chairman of the Audit Committee

Sir Roger Lobo

Mr. Ng Ching Wo

Company Secretary

Mr. Samuel Tsang

Registered Office

Penthouse 38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong
Tel: (852) 3151 3777
Fax: (852) 3162 3579
Website: www.melco.hk.cn
Email: info@melco.hk.cn

Auditors

PricewaterhouseCoopers

Solicitors

Richards Butler
Fong & Ng

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Crédit Agricole Indosuez

Share Registrar and Transfer Office

Standard Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Share Listing

The Company's shares are listed on the Main
Board of The Stock Exchange of Hong Kong
Limited



1910

The Macao Electric Lighting Company, Limited (as the Company was previously known) was incorporated. The Company was among the first 100 companies established in Hong Kong. Of the other 99 companies that were formed at the same time as the Company, only 29 companies still exist today, of which 3 including the Company are listed on the Hong Kong Stock Exchange.

1927

The Company was listed in Hong Kong.

1988

The Company's name was changed to "Melco International Development Limited".

The Company acquired the residential complex "Art Court" in Tung Shan Terrace.

1993

The Company acquired Aberdeen Restaurant Enterprises Limited and its subsidiaries, which own and operate the Jumbo Floating Restaurant and Tai Pak Floating Restaurant in Aberdeen.

The Company became a subsidiary of Shun Tak Holdings Limited.

1996

Shun Tak Holdings Limited distributed its shares in Melco to its shareholders by way of dividend in specie. As a result, Melco ceased to be a subsidiary of Shun Tak Holdings Limited.

2001

Lasting Legend Limited became the Company's single largest shareholder. Mr. Lawrence Ho was appointed Managing Director of the Company.

2002

Value Convergence Holdings Limited ("Value Coverage") acquired VC CEF Capital Limited, VC CEF Brokerage Limited and VC CEF Futures Limited from Cheung Kong (Holdings) Limited and Canadian Imperial Bank of Commerce.

2003

Value Convergence, VC CEF Capital, VC CEF Brokerage and VC CEF Futures became subsidiaries of the Company.

The Group opened its headquarters in Macau.

2004

The Company announced the acquisition of Mocha Slot Group Limited and the iAsia group of companies.

Group Profile



Financial Services



Technology



Leisure and Entertainment





Board of Directors

Dr. Stanley Ho, G.B.S.

(aged 82)

Dr. Ho, an outstanding entrepreneur in Asia, is actively involved in a strategic decision-making capacity for numerous companies. In Hong Kong, he holds the positions of Group Executive Chairman of Shun Tak Holdings Limited, Chairman of Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) and President of The Real Estate Developers Association of Hong Kong. In Macau, he is Managing Director of Sociedade de Turismo e Diversões de Macau, S.A.R.L. and Sociedade de Jogos de Macau, S.A., Vice-Chairman of CAM – Macau International Airport Company Limited, Chairman of Seng Heng Bank Limited, and Chairman of Macau Jockey Club.

Apart from being the holder of honorary doctorates of social sciences from The University of Hong Kong, The University of Macau and The Hong Kong Polytechnic University, and honorary doctorate of humanities from Angeles University Foundation in the Philippines, Dr. Ho holds a number of key positions in the following academic and political bodies: Standing Committee Member, the 10th National Committee of the Chinese People's Political Consultative Conference; Honorary Lifetime Chairman, The University of Hong Kong Foundation for Educational Development and Research; Member, Court, The Hong Kong Polytechnic University; Member, Economic council of Macau Special Administration Region; Trustee, Macau Foundation; as well as Council Member, University of Macau. Dr. Ho was awarded the gold Bauhinia star by the Hong Kong SAR Government in 2003.

Dr. Ho is also a vice patron of the Community Chest of Hong Kong, a member of the board of trustees of the Better Hong Kong Foundation, and a patron of the Society of the Academy for Performing Arts.

Dr. Ho has been the Company's Chairman since 1987.



Mr. Lawrence Ho

Managing Director (aged 27)

Mr. Ho is the son of Dr. Stanley Ho, the founder of the Shun Tak Group and Sociedade de Turismo e Diversões de Macau, S.A.R.L. Mr. Ho was appointed Managing Director of the Company in November 2001, after he made and completed a General Offer for shares of the Company. As Managing Director, Mr. Ho oversees and is responsible for the overall strategic development, management and operations of the Company.

Mr. Ho has been an Executive Director of Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) since October 2000 and President and Vice-Chairman of Value Convergence since August 2002. Before joining the Company and Value Convergence Holdings Limited, Mr. Ho worked at Jardine Fleming in the Asian derivative group, where he was responsible for marketing and structuring of Asian derivative products. Prior to that, he worked in the credit risk management department of the Citibank N.A.

Mr. Ho is a graduate of the University of Toronto, Canada and holds a Bachelor of Arts degree, majoring in commerce.

Mr. Ho is Member of The Chinese People's Political Consultative Conference, Shanghai Committee, Vice-Chairman of The Chamber of Hong Kong Listed Companies Limited, Member of Science and Technology Council of Macau Special Administrative Region and Director of Guangzhou Luhua Golf & Country Club.

Mr. Frank Tsui

Executive Director (aged 46)

Mr. Tsui has more than 20 years of experience in direct investment and investment banking, having held senior management positions at James Capel (Far East) Limited (Managing Director, China Fund), Citicorp International Limited (Vice President) and Canadian Imperial Bank of Commerce (Manager, China Operations Group). Prior to joining the Company, he was the president of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

Mr. Tsui graduated with a bachelor's and a master's degree in business administration from the Chinese University of Hong Kong and with a law degree from the University of London. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. Tsui has been an Executive Director of the Company since November 2001.



Sir Roger Lobo, C.B.E., LL.D., J.P.

Independent Non-Executive Director (aged 81)

Sir Roger was appointed Independent Non-Executive Director of the Company in February 1998.

Sir Roger is a prominent figure in Hong Kong and Macau and has served on numerous public offices in the past. He was an Executive Council Member between 1967 and 1985, a Legislative Council Member between 1972 and 1985 (Senior Legislative Council Member between 1980 and 1985) and a Member of Urban Council (1965-1978). In addition, he was Chairman of the Advisory Committee on Post-Retirement Employment (1987-1998), Chairman of Hong Kong Broadcasting Authority (1989-1997) and Chairman and Member of various committees of Independent Commission Against Corruption (1975-1985).

Sir Roger is currently serving on many civic and social services offices. These offices include Vice-Patron of the Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong; Member of the Board of Trustees of Business and Professionals Federation of Hong Kong; Council Member of Caritas Hong Kong; and Honorary Commissioner of Civil Aid Services.

Sir Roger sits on the board of a number of other companies, including Shun Tak Holdings Limited and PCCW Limited (both Hong Kong listed) and Johnson & Johnson (HK) Limited.

Mr. Robert Kwan, M.A. (CANTAB), F.C.A., F.H.K.S.A., C.P.A., J.P.

Independent Non-Executive Director (aged 67)

Mr. Kwan was appointed Independent Non-Executive Director of the Company in February 1998.

Mr. Kwan is a retired certified public accountant, received his Master of Arts Degree at Cambridge University and qualified as a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of the Hong Kong Society of Accountants. He is past Chairman of Deloitte Touche Tohmatsu, Certified Public Accountants and Ocean Park Corporation.

Mr. Kwan has been active in community services and has served on numerous committees and public offices. He is currently serving as a Member of the Office of The Ombudsman, a Voting Member of Tung Wah Group of Hospitals Advisory Board, a Founding Voting Member of The University of Hong Kong Foundation for Educational Development and Research and an Independent Non-Executive Director of Shun Tak Holdings Limited.



Mr. Ng Ching Wo

Independent Non-Executive Director (aged 53)

Mr. Ng was appointed Independent Non-Executive Director of the Company in February 2003.

Mr. Ng is a partner of Fong & Ng, Solicitors. Mr. Ng received his L.L.B. from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong. Mr. Ng's practice focused primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, tax planning, large-scale international joint ventures and technology transfer.

Mr. Ng sits on the board of a number of companies listed in Hong Kong.

Mr. Ho Cheuk Yuet

Non-Executive Director (aged 41)

With 18 years in research and stockbroking, Mr. Ho is Managing Director, Research and Institutional Services of CITIC Frontier China Research Limited. Mr. Ho was previously Managing Director and Head of Research of BOC International, Head of Greater China Sales and Research of HSBC Securities; Head of Greater China Equities of UBS Warburg; Deputy Managing Director with CLSA, and co-founder of GC Capital.

Mr. Ho graduated from University of Hong Kong with a Bachelor degree of Social Sciences.

Mr. Ho has been a Non-Executive Director of the Company since February 2002.

Mr. Peter So

Non-Executive Director (aged 51)

Mr. So is a professional management accountant and is an associate member of both Chartered Institute of Management Accountants and Institute of Financial Services.

Mr. So has extensive experiences in banking and finance and has headed a global institutional sales department in a leading international securities brokerage group, Wardley James Capel Limited, a member of the HSBC Group. He has held senior management positions in Hang Seng Bank Limited, Citicorp International Limited, and Jinhui Holdings Company Limited. He is currently an executive director and the chief operating officer of Pacific Century Insurance Holdings Limited (Hong Kong listed) and a non-executive director of Jinhui Holdings Company Limited (Hong Kong listed) and Jinhui Shipping and Transportation Limited (Oslo listed).

Mr. So resigned as Non-Executive Director of the Company on 1st April 2004.



Senior Management

Mr. Ted Chan

Assistant to Managing Director (aged 32)

Mr. Chan is currently the Assistant and reports directly to Mr. Lawrence Ho, in the areas of overall strategic development and management of the Group. He has more than 8 years of experience in investment banking and securities. Before joining the Company in June 2002, Mr. Chan worked in the capacity of Director of Development of First Shanghai Financial Holding Limited, specializing in internet trading solution and China business development. Mr. Chan graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong and with a master's degree in Financial Management from the University of London.

Mr. Samuel Tsang

Group Legal Counsel & Company Secretary (aged 49)

Mr. Tsang is a solicitor admitted in Hong Kong, England and Australia. As Group Legal Counsel and Company Secretary of the Company, Mr. Tsang oversees the legal, corporate and compliance matters of the Group. Mr. Tsang has worked as a lawyer with major law firms and listed conglomerates in Hong Kong for over 15 years. He holds a master of laws degree from University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management. Mr. Tsang joined the Group in November 2001.

Mr. Clarence Chung

Group Financial Controller (aged 41)

Mr. Chung has more than 15 years of experience in investment banking, accounting and finance areas. Before joining the Group in December 2003, he was the chief financial officer at Megavillage Group, an investment banker at Lazard managing an Asian buy-out fund, a vice-president at Pacific Century Group; and a qualified accountant with Arthur Andersen.

Mr. Chung holds a bachelor degree in business administration from the Chinese University of Hong Kong, is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants; and a member of the Society of Management Accountants of Canada.

Mr. Rodney Orr

Head of Corporate Development (aged 50)

Mr. Orr has more than 24 years of experience in the hospitality management and information technology industries. He holds a Bachelor Degree in Commerce. He started his career in Canada and has served various renowned corporations in Hong Kong such as the Canadian Overseas Development Co Ltd, ITT Sheraton, Sino Land, PCCW, and Tickets.com. He joined the Group in August 2003, and is currently the Head of Corporate Development, as well as the General Manager of the Jumbo Floating Restaurant.

Over the past 20 years, Mr. Orr has been an active member in contributing to the community via various social and community services. He has served as a Member/co-opted member of the Provisional Tuen Mun District Board, Tuen Mun District Board, and the Yuen Long District Board. He was also a member of the Regional Advisory Committee for the Hospital Authority. Other social service involvement includes the Lions Club, Pok Oi Hospital, Hong Kong Tennis Association, Yan Oi Tong, Tuen Mun Sports Association, Home of the Handicaps Association and Community Chest – Raffle Committee.



Dr. Ho presides over opening of the Group's Macau headquarters in the presence of Macau SAR Chief Executive, Mr. Edmund Ho Hau-wah, and Vice Chairman of the CPPCC National Committee, Mr. Ma Man Kei.



In February 2003, the Group acquired a controlling stake in Value Convergence Holdings Limited, a company listed on the Growth Enterprise Market of Hong Kong Stock Exchange. As a result, the scope of the Group's business has expanded considerably. It now comprises three main business sections: the investment banking and financial services section, the leisure and entertainment section and the technology section.

After the acquisition, the Group had successfully executed a carefully planned costs rationalisation programme, which led to a reduction of the operating costs of the financial services business by 30% in the first quarter. This was followed by organizational restructuring, enhancement of quality sales force, introduction of innovative products and service packages and sourcing of new deals from the Group's new offices in Shenzhen and other PRC cities. These efforts paid off – the Group's financial services business went from substantial loss in the first half of 2003 to profit earning in the second half. Turnover improved by about 125% as compared to 2002's figure, while market share increased by 43% over the same period.

Apart from financial services business, the Group's technology business also achieved a successful turnaround. The Group's IT operation in Hong Kong, the iAsia division, continued its success in securing quality new clients in 2003, and some products like foreign exchange trading system gained significant market share. The Group's Macau IT operation, the Elixir division, became a prominent IT outsourcing partner and gaming machine IT specialist.



Mr. Li Yongwu, Deputy Director, Liaison Office of Central Government in MSAR, Mr. Wu Hongbo, Former Deputy Commissioner, Ministry of Foreign Affairs in MSAR, Mr. Au Man Long, Secretary for Transport and Public Works in MSAR, and other dignitaries at the ribbon cutting ceremony of the Group's Macau headquarters' grand opening.



However, the Group's fine-dining business was seriously affected by the Severe Acute Respiratory Syndrome (SARS) epidemic, which drastically reduced the number of tourist and local customers to the Group's restaurants in the first half of 2003. The patronage rate somewhat recovered in the second half, but the SARS effect is still felt. The Group has taken swift measures to reduce costs and upgrade its restaurant staff's quality. It has also begun an extensive renovation/revitalisation programme, which saw the opening of the six-star restaurant (Dragon Court) in January 2004 and other new and exciting features and attractions will be opened soon.



Dr. Ho examining a state-of-the-art electronic roulette machine distributed by Elixir at the opening of the Mocha Slot Lounge at Hotel Royal.

The Group announced in March 2004 that it will purchase a 80% interest in Mocha Slot Group Limited, which leases gaming machines and provides related management services to the lessees in Macau. It also announced a group reorganization plan whereby the technology business would be directly owned by the Melco group. These transactions are subject to independent shareholders' approvals, and, when approved, will be completed in May 2004. I am confident that they will be beneficial to the Group, as the Mocha Slot Group's acquisition brings with it good growth and earnings potentials, and the restructuring of the technology business rationalizes Value Convergence's business and enables it to focus on its investment banking and financial services business.

With the SARS epidemic behind us and the Closer Economic Partnership Arrangement (CEPA) and the Facilitated Individual Travel (FIT) programme beginning to show their positive effects, Hong Kong and Macau economies are anticipated to grow in 2004. The influx of foreign funds and the increasing number of IPOs and individual travellers from China are expected to continue in 2004. Hong Kong's capital market is set to have a rebound, and this provides a very good setting for the taking off of the Group's financial services business. Tourism and gambling business in Hong Kong and Macau is poised to flourish in 2004, and this provides a good ground for improved performance of the Group's leisure and entertainment business. The great efforts last year to strengthen the Group's operations enable the Group to capture opportunities arising from the markets' improvement. As a result, I am confident that the Group's businesses will continue their upwards trend in the coming year.

I would like to thank all of our staff and management for their exemplary hard work and dedications, without which this has not been possible. I am certain that I can count on their continued support and loyalty in the coming year.

By Order of the Board

Dr. Stanley Ho
Chairman

Hong Kong, 21st April 2004

Management Discussion and Analysis





Mr. Lawrence Ho, Managing Director of Melco Group, at the press conference of our Macau headquarters' grand opening.

During 2003, the Group has successfully moved a big step forward by expanding its business activities into the investment banking and financial services and technology sectors through the acquisition of a 67.57% interest in 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 (the "Acquisition").

Upon the completion of the Acquisition in February 2003, the core business lines of the Group have become apparent and they are investment banking and financial services, leisure and entertainment and technology.

The Group's turnover and earnings before finance costs and taxation for year 2003 are shown in Note 2 to the consolidated profit and loss account. Turnover for the year increased 98% to HK\$164 million, mainly attributable to the inclusion of Value Convergence's result after the Acquisition. Year 2003 was also a challenging year with the SARS epidemic in Hong Kong and China as well as a slow global economy. However, the Group managed to narrow the loss to HK\$26.3 million for the year (2002: HK\$35.6 million), representing a 26% decrease. This was achieved through the implementation of various strategic and operational initiatives including cost rationalization measures to the Group's operating units so as to achieve maximum synergy. We believe the implementation of these initiatives has laid a solid foundation for the Group's future growth and expansion.

Investment Banking and Financial Services

The Group completed its acquisition of Value Convergence on 5th February 2003 and expanded its business scope to offer a broad range of investment banking and financial services on the Hong Kong and overseas stock exchanges, capital market and corporate finance advisory services to regional and international clients since then. The Acquisition is a connected and discloseable transaction of the Company of which independent shareholders' approval has been obtained. Details of the Acquisition have been stipulated in the Company's announcement and circular dated 12th October 2002 and 16th November 2002 respectively.



VC CEF Financial Group has sponsored the Macau International Chinese Entrepreneurs Convention 2003.

Subsequent to the Acquisition, the Group has performed a detailed business review to Value Convergence's brokerage and futures businesses and introduced various strategic and operational initiatives including, inter-alia, the following:



Management Discussion and Analysis

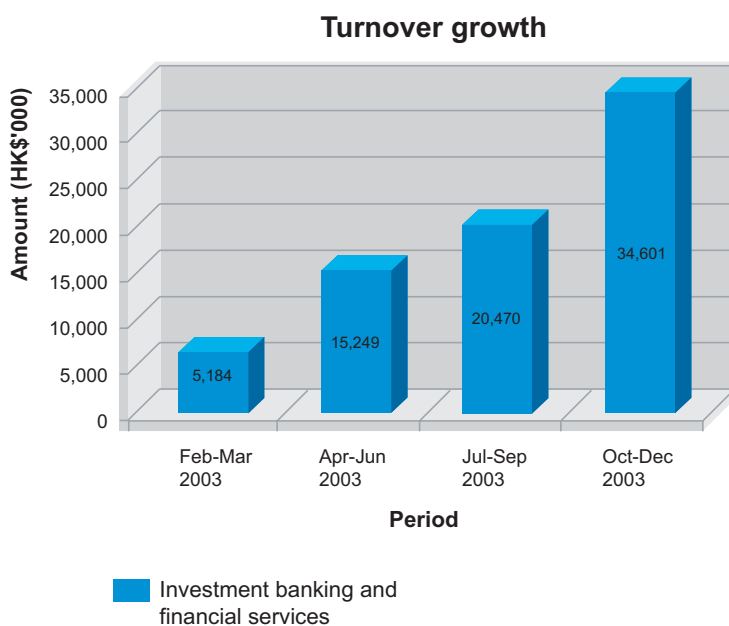
- A solid institutional and corporate sales team has been set up to serve institutional and corporate clients.
- A new team of seasoned research professionals has been hired to provide independent insightful research, including general research, specific investment analysis; and financial analyses on global and regional economy, listed companies and private enterprises.
- Cost rationalization program, including manpower review and merger of branches and offices, has been implemented so as to achieve maximum synergy and reduce costs.



Mr. Lawrence Fok speaking at the forum ("Listing and Financing Opportunities for Macau Enterprises") organized by Melco and VC CEF Groups.

VC CEF Brokerage Limited and VC CEF Futures Limited now offer one-stop financial services to institutional, corporate, high net worth and private clients with a comprehensive range of products including local and overseas securities dealing, securities margin financing, placement and sub-underwriting, securities borrowing and lending, short selling, futures and options trading, derivatives trading, structured products and advisory services.

Turnover and segment profit from 5th February 2003 to 31st December 2003 for the investment banking and financial services segment were HK\$75.5 million (2002 – HK\$Nil) and HK\$3 million (2002 – HK\$Nil) respectively.





Senior management team of VC CEF Financial Group at the opening of our Shenzhen office.

The SARS epidemic has adversely impacted the market investment sentiments and the Group's brokerage business during the first half of 2003. However, the stock market has been continuously recovering in the post SARS period starting from June 2003. For instance, the Hang Seng Index has risen by approximately 31% from June 2003 to close at 12,575 at end of December 2003 and the average daily market turnover of the Hong Kong stock market (including GEM) improved from approximately HK\$7.1 billion for the six months ended 30th June 2003 to approximately HK\$13.6 billion for the six months ended 31st December 2003. The Group's investment banking and financial services segment

has also benefited from the increased stock market activities and recorded major business improvements. The brokerage and futures businesses achieved an approximately 230% growth in the total turnover during the six month period ended 31st December 2003 over the period from 5th February 2003 to 30th June 2003; and become profit making in the second half of 2003. Also, the daily turnover for the brokerage business outperformed the market and increased by more than 160% for the six months ended 31st December 2003 over the period from 5th February 2003 to 30th June 2003.

VC CEF Capital Limited continues to provide corporate finance advisory services and 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 2003, VC CEF Capital Limited actively participated in several IPO transactions in different capacities including sponsor and underwriter. The Group will continue to enhance the market positioning of VC CEF Capital Limited through participating in more transactions.

To cope with our expansion plan and to better serve our clients in China, we have opened an office in Shenzhen in January 2004 and are in the process of opening new offices in Beijing and Shanghai.

In August 2003, the Group opened its Macau headquarters and submitted an application to Monetary Authority of Macau (the "Authority") for a financial service license to conduct securities and futures trading and brokerage business in Macau. We are in the process of providing the requested documents and information to the Authority in obtaining the license.

Leisure and Entertainment

Turnover and segment loss for 2003 for the leisure and entertainment segment were HK\$54.9 million (2002 – HK\$77.9 million) and HK\$11.7 million (2002 Loss – HK\$21.4 million) respectively.

The SARS epidemic has seriously affected the tourism and catering industries in first half of 2003. Inevitably, the business of Jumbo and Tai-Pak restaurants was also negatively impacted due to the substantial decline in foreign visitors and local customers since the outbreak of SARS. The Group has reacted swiftly by the implementation of a number of cost cutting and efficiency enhancement measures so as to reduce costs. Operating costs for 2003 have been reduced by HK\$26.7 million as compared to a





Management Discussion and Analysis

total of HK\$95.9 million for 2002, a decrease of 27.8%. In addition, Jumbo has reorganized its manpower aiming to provide finer cuisines and better services to the customers.

In view of the China/Hong Kong Closer Economic Partnership Arrangement (CEPA) and the Facilitated Individual Travel (FIT) program in facilitating visitors from China, the Group expects the number of tourists from China to Hong Kong would increase significantly. Hence, the Group is



transforming Jumbo and Tai-Pak restaurants into a modern complex of fine-dining, shopping, sightseeing and cultural attractions to be named "Jumbo Kingdom". In particular, a six-star restaurant "Dragon Court" on 1st deck of Jumbo has commenced operations since January 2004 and has received favorable feedbacks from customers. It is contemplated that the remaining specially designed venues/facilities of the Jumbo Kingdom will be completed in phases in later part of 2004. We are optimistic that the revamped Jumbo Kingdom will continue to be a tourist attraction in the Island south.



In March 2004, the Group has announced the proposed acquisition of Mocha Slot Group Limited (the "Mocha Group") which is principally engaged in the leasing of gaming machines and the provision of ancillary management services to the lessees of its gaming machines in Macau. The acquisition is a major and connected transaction of the Company under the Listing Rules and full details are given in the Company's announcement dated 23rd March 2004. Upon completion of this acquisition, the Mocha Group will be an important addition to the Group's assets in the leisure and entertainment segment with good growth and earning potentials.



Technology

The technology segment was acquired by the Group as one of the business lines within Value Convergence. The technology operation has two major operating units, namely, (i) iAsia Online Systems Limited which is engaged in the provision of comprehensive online trading and related systems and services to financial institutions and intermediaries principally in Asia, and (ii) Elixir Group Limited and Elixir Group (Macau) Limited (collectively "Elixir Group") which are engaged in the sale of



hardware systems and related IT consulting services in Hong Kong, Macau and the Pearl Delta Region of China. The hardware systems range from entry-level workstations to enterprise-class servers and include a wide range of system integration services (e.g. e-business solutions, office automation application, hosting and outsourcing service and related information technology consultancy services) assisting clients to maximize their business potential.

After the Acquisition, the Group has been continuing to support the research and development works of the technology operation in expanding its product offerings and improving its trading solution softwares. Our continued software enhancements and proven systems and services to meet the changing needs in the capital market have resulted in the increased market share. Also, in 2003, the Group has started to install these technology platforms to the various VC CEF group companies with a view to enhance their operational and cost efficiencies as well as competitiveness.



such as Sociedade de Jogos de Macau, S.A. ("SJM"), Companhia de Electricidade de Macau – CEM, S.A. and Seng Heng Bank Limited, as its clients.

In January and July 2003, Elixir Group has entered into two separate service arrangements with SJM with the provision of system integration and system network services to SJM for a total consideration of approximately HK\$6.7 million. Furthermore, in October 2003, given the high quality of services performed to SJM, Elixir Group has conditionally entered into another service arrangement with SJM for the provision of system integration and related maintenance services totalling approximately US\$7.1 million (HK\$55.6 million) of which the contract terms extend to the financial year ending 31st December 2005. As Dr. Stanley Ho, Chairman of the Company, is also a director of and has equity interest in SJM, these transactions are connected transactions of the Company. Details of these transactions are contained in the Company's announcements dated 17th July and 9th October 2003 and circular dated 31st October 2003.



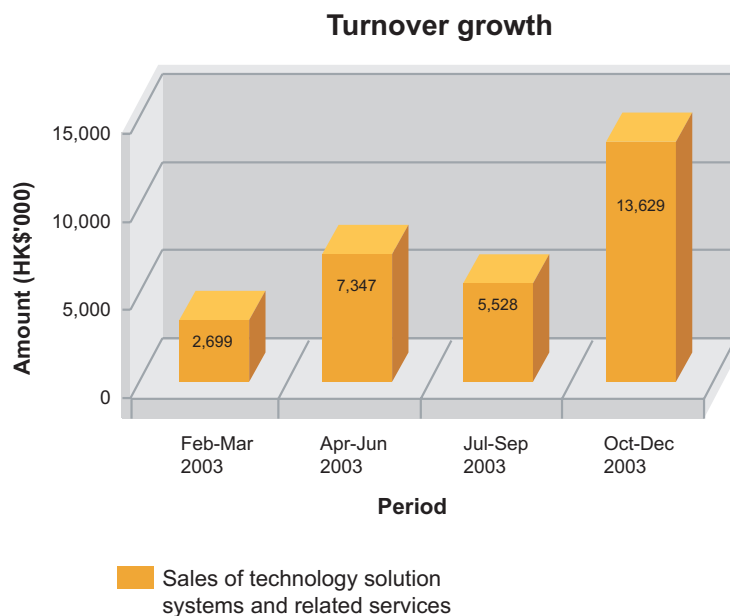
Mr. Edmund Ho Hau-wah, Chief Executive of The Macao SAR, visiting our booth at the Macau IT Week 2003.





Management Discussion and Analysis

On 17th December 2003, Elixir Group has entered into a service arrangement with Mocha Group for the provision of information technology related services (consisting of system integration services and system network services) to Mocha Group for a consideration of about US\$258,000 (about HK\$2 million). This transaction is a connected transaction of the Company under the Listing Rules and details of this connected transaction are contained in the announcement of the Company dated 17th December 2003.



Turnover and segment loss from 5th February 2003 to 31st December 2003 for the technology segment were HK\$29.2 million (2002 – HK\$Nil) and HK\$9.4 million (2002 – HK\$Nil) respectively.

On 23rd March 2004, the Company announced that it would effect a group reorganization which includes the purchase of the iAsia group of companies from Value Convergence. The iAsia group of companies hold the technology business of the Group. The transaction is a connected transaction of the Company under the Listing Rules and is subject to approval by the independent shareholders of the Company. Upon completion of the reorganization, the corporate structure and business of the Value Convergence group will be rationalized with, investment banking and financial services business as its focus.

Property and Other Investments

Turnover and segment profit of the property and other investments segment for 2003 was HK\$4.5 million (2002 – HK\$4.9 million) and HK\$2.3 million (2002 Loss – HK\$8.7 million) respectively.

Art Court

This is a residential building located at 5 Tung Shan Terrace, Stubbs Road, Hong Kong which has been leased for rental. The average occupancy rate of the property for 2003 was 87% (2002 – 90%). An independent property valuer has valued this property at HK\$82 million (2002: HK\$80 million) as at 31st December 2003. It is anticipated rental income from this property will remain stable in 2004.

Jumbo Court Carpark

The Group owns 509 car parking spaces located on the lower basement, basement and G/F to 5/F of Jumbo Court Public Carpark at 3 Welfare Road, Aberdeen, Hong Kong. Annual rental income from the carpark amounted to HK\$1.2 million for 2003 (2002 – HK\$1.3 million). An independent property valuer has valued this property at HK\$77 million (2002: HK\$75 million) as at 31st December 2003. It is anticipated that rental income from this property will remain stable in 2004.



Liquidity and Capital Resources

As at 31st December 2003, cash available to the Group amounted to approximately HK\$143 million (2002 – HK\$219 million). The Group adopts a prudent treasury policy. The majority of the bank balances and cash are denominated in Hong Kong dollars and deposited in short term fixed deposits. It is the intention of the management to maintain a minimum exposure to foreign exchange risks.

The Group has obtained banking facilities of HK\$190 million (2002 – Nil) from various banks as at 31st December 2003, of which HK\$50 million (2002 – HK\$Nil) of these banking facilities is secured by the pledging of HK\$82 million (2002 – Nil) of the Group's assets. The Group did not utilize any of these banking facilities available as at year end.

The Group's total shareholder's funds increased to HK\$460.7 million as at 31st December 2003 from HK\$376.1 million as at 31st December 2002. In August 2003, the Company undertook 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 has raised approximately HK\$105.3 million before expenses through the rights issue and has strengthened its equity base, improved its financial gearing and provided additional resources for future acquisitions and growth.

The Group's capital expenditure for 2003 totalled HK\$26.8 million (2002 – HK\$1 million).

Employees

As at 31st December 2003, the Group employed a total of 380 employees (2002 – 259 people), of which 365 are located in Hong Kong while the remaining employees are located in Macau and the PRC. The related staff costs for 2003, including Director's emoluments, totalled HK\$76 million (2002 – HK\$56 million). Increase in staff costs was due to the substantial increase in number of employees after the Acquisition as well as one-off redundancy costs incurred.

All the Group companies are equal opportunity employers and all employees are appointed/promoted based on suitability for the position offered. Employees' salary and related benefits are rewarded on a performance related basis and the general remuneration structure of the Group is subject to annual review by the management. Training



Mr. Lawrence Ho announcing the award for Employee of the Year at our Group's Anniversary Dinner 2003.



Management Discussion and Analysis

and development programs are provided to the employees on an ongoing basis. In addition, the Group offered share option schemes under which options are granted to employees of the Group in recognizing their contributions and in retaining employees who will continue to make valuable contributions to the Group. Details of the share options granted to the employees are stated in Note 21 to the accounts.



Summary

The Group's 2003 results reflect the challenging economic conditions, especially in the mist of SARS epidemic in the first half of the year. Despite these challenges, the Group has completed the acquisition of the Value Convergence group which provides an attractive platform for the Group to expand its business into the investment banking and financial services as well as technology industries. Also, the Group has taken this opportunity to consolidate its strengths in refining the business of Jumbo and revamp Jumbo into "Jumbo Kingdom".

With the solid foundation laid, the Group is well positioned to future rapid growth in our respective core businesses of investment banking and financial services, leisure and entertainment; and technology.

I would like to join our Chairman in thanking our dedicated employees for their continuing support during this past year.

Lawrence Ho

Managing Director

Hong Kong, 21st April 2004



The directors present their report and the audited accounts of the Company and of the Group for the year ended 31st December 2003.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. On 5th February, 2003, the Company completed acquisition of a 67.57% interest in Value Convergence Holdings Limited (formerly known as iAsia Technology Limited), a company listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. Subsequent to the acquisition, the core business lines of the Group are investment banking and financial services, leisure and entertainment and technology. The activities of the principal subsidiaries are set out in note 13 to the accounts.

An analysis of the Group's performance for the year by business and geographical segment is set out in Note 2 to the accounts.

Results and Appropriations

The loss of the Group for the year ended 31st December 2003 and the state of affairs of the Company and of the Group at that date are set out in the accounts on pages 33 to 78.

The directors do not recommend the payment of a dividend.

Summary Financial Information

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the published audited accounts and reclassified as appropriate, is set out below. This summary does not form part of the audited accounts.

Results

	Year ended 31st December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	164,036	82,838	99,409	109,175	113,739
Net loss from ordinary activities attributable to shareholders	(26,334)	(35,596)	(18,635)	(6,568)	(51,687)

Assets, liabilities and minority interests

	31st December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Total assets	674,518	418,769	410,960	445,655	468,409
Total liabilities	(150,844)	(18,387)	(10,099)	(15,702)	(42,097)
Minority interests	(62,952)	(24,257)	(26,392)	(28,983)	(29,569)
Net assets	460,722	376,125	374,469	400,970	396,743



Major Customers and Suppliers

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for 37% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 14% of the Group's total purchases for the year.

To the best knowledge of the directors, none of the directors of the Company, their associates, or any shareholders who own more than 5% of the Group's issued share capital had any beneficial interest at any time during the year in the Group's five largest suppliers.

Investment Properties and Other Fixed Assets

Details of movements in the investment properties, and other fixed assets of the Company and of the Group during the year are set out in note 12 to the accounts.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 20 and 21 respectively to the accounts.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 22 to the accounts and in the consolidated statement of changes in equity.

Distributable Reserves

The Company's capital reserve in the amount of HK\$357,784,733 as at 31st December 2003 and 2002 may be distributed upon the fulfillment of certain conditions. In addition, the Company's share premium account, in the amount of HK\$49,677,823 as at 31st December 2003 (2002 – 19,189,283) may be distributed in the form of fully paid bonus shares. Save as disclosed aforesaid, as at 31st December 2003, the Company had no reserve available for distribution in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.



Directors

The directors of the Company during the year were:

Executive directors:

Dr. Stanley Ho

Mr. Lawrence Ho

Mr. Peter So (resigned as an executive director on 6th May 2003)

Mr. Frank Tsui

Non-executive directors:

Mr. Ho Cheuk Yuet

Mr. Peter So (appointed on 6th May 2003)

Independent non-executive directors:

Sir Roger Lobo

Mr. Robert Kwan

Mr. Ng Ching Wo (appointed on 26th February 2003)

Subsequent to the balance sheet date, on 1st April 2004, Mr. Peter So resigned as a non-executive director of the Company.

In accordance with Article 103 of the Company's Articles of Association, Sir Roger Lobo and Mr. Ho Cheuk Yuet will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Mr. Lawrence Ho has a service contract with the Company commencing on 5th November 2001 which is subject to termination by either party giving not less than three months' written notice. Mr. Frank Tsui has a service contract with the Company commencing on 1st October 2002 which is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.



Directors' Right to Acquire Shares or Debentures

Save as disclosed under the heading "Share Option Scheme" below and in note 21 to the accounts, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

Details of the Company's share option scheme are set out in note 21 to the accounts.

Concerning the share options granted during the year to the directors, employees and others, as detailed in note 21 to the accounts, 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 value 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.

Directors' interests in contracts

Save as disclosed in note 26 to the accounts, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' and Chief Executive' interests in the Company and its associated corporations

As at 31st December 2003, 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 (Chapter 571, the Laws of Hong Kong) ("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 the Director is taken or deemed to have under such provisions of the SFO); or which are required, pursuant to section 352 of the SFO, to be entered in the register 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 were as follows:



(i) Interests in Shares of the Company (“Shares”)

Name of Director	Nature of interest	Notes	Number and approximate percentage of Shares interested
Dr. Stanley Ho	Corporate	1	2,377,500 (1.07%)
	Personal	1	12,324,275 (5.55%)
	Family	1	322,092 (0.15%)
Mr. Lawrence Ho	Corporate	2	57,754,512 (26.02%)
	Personal	2	1,816,306 (0.82%)

Notes:

1. Dr. Stanley Ho is taken to be interested in 2,377,500 shares as a result of him being beneficially interested in the entire issued share capital of each of Sharikat Investments Limited and Dareset Limited which in turn hold an aggregate of approximately 1.07% of the issued share capital of the Company. Apart from that, Dr. Ho and his spouse personally hold 12,324,275 and 322,092 shares.
2. Mr. Lawrence Ho is taken to be interested in 57,754,512 shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. Which in turn holds approximately 26.02% of the issued share capital of the Company. Apart from that Mr. Ho personally holds 1,816,316 shares.



(ii) Interests in equity derivative of the Company

Name of category of participant	At 1st January 2003	Number of share options			Date of grant of share options ⁽³⁾	Adjusted exercise price of share options ^{(1),(4)}	Exercise period of share options
		Adjustment in relation to issuance of rights shares ⁽¹⁾	Exercise during the year ⁽²⁾	At 31st December 2003			
Directors							
Mr. Lawrence Ho	605,435	302,718	(908,153)	–	8 March 2002	HK\$1.00	8 September 2002 to 7 March 2012
	605,436	302,717	(908,153)	–	8 March 2002	HK\$1.00	8 March 2003 to 7 March 2012
	1,210,871	605,435	(1,816,306)	–			
Mr. Frank Tsui	1,210,871	605,435	–	1,816,306	8 March 2002	HK\$1.00	8 September 2002 to 7 March 2012
Mr. Peter So ⁽⁵⁾	1,210,871	605,435	–	1,816,306	8 March 2002	HK\$1.00	8 September 2002 to 7 March 2012
Mr. Ho Cheuk Yuet	1,210,871	605,435	–	1,816,306	8 March 2002	HK\$1.00	8 September 2002 to 7 March 2012
Total	4,843,484	2,421,740	(1,816,306)	5,448,918			



Notes:-

- (1) Adjustment of share options after the completion of rights issue on 24th September 2003. No share option was granted during the year.
- (2) No share option has been lapsed or cancelled during the year.
- (3) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (4) The exercise price of the share options was adjusted after the completion of rights issue on 24th September 2003.
- (5) Mr. Peter So resigned as a Non-Executive Director of the Company on 1st April 2004.

(iii) Interests in Shares of Value Convergence

Name of Director	Nature of interest	Notes	Number and approximate percentage of shares of Value Convergence interested
Dr. Stanley Ho	Corporate	1	7,384,651 (3.10%)
Mr. Lawrence Ho	Corporate	2	4,232,627 (1.78%)
Mr. Peter So	Personal	3	305,722 (0.13%)

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 3.10% 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 1.78% of the issued share capital of Value Convergence.
3. Mr. Peter So personally holds 305,722 shares of Value Convergence. Mr. So resigned as Non-Executive Director on 1st April 2004.



(iv) Interest in equity derivatives of Value Convergence

Name of Director	Nature of interest	Notes	Number and approximate percentage interest
Dr. Stanley Ho	Personal	1	735,000 (0.31%)
Mr. Lawrence Ho	Personal	2	1,226,057 (0.51%)
Mr. Peter So	Personal	3	147,317 (0.06%)

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 option 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.
3. The personal interest of Mr. Peter So, represents his derivative interest in Value Convergence comprising 147,317 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. Mr. So resigned as Non-Executive Director of the Company on 1st April 2004.

Save as disclosed above, as at 31st December 2003, 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.



Substantial shareholders

As at 31st December 2003, so far as is known to the Directors of the Company, the following persons (other than a director or chief executive of the Company) had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Shareholding percentage
Lasting Legend Ltd. (Note 1)	57,754,512	26.02%
Mr. Lawrence Ho (Note 1)	59,570,818	26.83%
Shun Tak Shipping Company Limited	39,083,147	17.61%
Dr. Stanley Ho	15,023,867	6.77%

Notes:

1. Mr. Lawrence Ho is taken to be interested in 57,754,512 Shares by virtue of the fact that Lasting Legend Ltd. is wholly owned by Mr. Ho.

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 year.

Directors' interests in Competing Businesses

Dr. Stanley Ho and Madam Lucina Laam King Ying, have direct or indirect beneficial interests in Shun Tak Holdings Limited, its subsidiaries and associates (the "Shun Tak Group") as shareholders. In addition, Dr. Stanley Ho has beneficial interests in Sociedade de Turismo e Diversões de Macau, its subsidiaries and associates (the "STDM Group") as shareholders. Further, Dr. Stanley Ho is a director of the Shun Tak Group and the STDM Group.

During the year and up to the date of this report, the businesses of property investment and hospitality (which includes restaurant operations) carried out by the Shun Tak Group and the STDM Group were considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Dr. Stanley Ho is actively involved in the management of the Shun Tak Group.

Dr. Stanley Ho is also actively involved in the management of the STDM Group which operates principally outside Hong Kong.

As the board of directors of the Company is independent of the boards of the Shun Tak Group and the STDM Group, the Group is therefore capable of carrying on such businesses independently of, and at an arm's length from the businesses of these companies.



Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 27 to the accounts.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

Audit Committee

The Company has an audit committee which was established in accordance with requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. During the year, the audit committee comprises the three independent non-executive directors of the Company who are Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo, who is appointed on 7th March 2003.

Auditors

PricewaterhouseCoopers will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. PricewaterhouseCoopers was appointed as the Company's auditors at the annual general meeting held in June 2003 in place of Ernst & Young who retired at the meeting.

ON BEHALF OF THE BOARD

Dr. Stanley Ho

Chairman

Hong Kong, 21st April 2004



羅兵咸永道會計師事務所

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Telephone (852) 2289 8888
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AUDITORS' REPORT TO THE SHAREHOLDERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the accounts of Melco International Development Limited (the "Company") and its subsidiaries (together as the "Group") on pages 33 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards and, where appropriate, with reference to Practice Note 820 "The audit of licensed corporations and associated entities of intermediaries" issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st April 2004



Consolidated Profit and Loss Account

For the year ended 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2, 26(d)	164,036	82,838
Other revenues	2	5,494	4,084
Other income	3	10,186	–
Cost of inventories sold		(36,703)	(24,159)
Staff costs (include directors' emoluments)		(76,499)	(55,747)
Depreciation and amortisation		(19,232)	(5,927)
Commission expense		(26,088)	–
Other operating expenses	26(d)	(51,968)	(39,219)
Total operating expenses		(210,490)	(125,052)
Loss before finance costs and taxation	4	(30,774)	(38,130)
Finance costs	5	(2,007)	–
Loss before taxation		(32,781)	(38,130)
Taxation	6	(1,201)	–
Loss after taxation		(33,982)	(38,130)
Minority interests		7,648	2,534
Net loss attributable to shareholders	7	(26,334)	(35,596)
Basic loss per share (HK cents)	9	(15.9)	(27.1)
Fully diluted loss per share	9	N/A	N/A

Consolidated Balance Sheet



As at 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Intangible assets	11	22,998	–
Fixed assets	12	187,916	177,326
Investment securities	14	20,637	–
Pledged bank deposits	24	304	1,100
Other non-current assets		8,761	–
		240,616	178,426
Current assets			
Inventories	15	4,137	2,986
Trade receivables	16, 26(a)	236,390	2,782
Prepayment, deposits and other receivables	26(b)	9,537	8,939
Amounts due from related companies	18	429	2,407
Other investments	17	40,638	4,000
Bank balances and cash		142,771	219,229
		433,902	240,343
Current liabilities			
Trade payables	19	108,470	2,356
Accrued liabilities and other payables	26(c)	41,319	15,230
Rental deposits due within one year		324	582
Deferred tax liabilities	6	324	–
		150,437	18,168
Net current assets		283,465	222,175
Total assets less current liabilities		524,081	400,601
Financed by:			
Share capital	20	221,997	145,287
Reserves	22	238,725	230,837
Shareholders' funds		460,722	376,124
Minority interests		62,952	24,258
Non-current liabilities			
Rental deposits due after one year		407	219
		524,081	400,601



Balance Sheet

As at 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Fixed assets	12	–	4
Interest in subsidiaries	13	389,624	303,551
		389,624	303,555
Current assets			
Prepayments, deposits and other receivables		673	214
Bank balances and cash		15,440	3,175
		16,113	3,389
Current liabilities			
Accrued liabilities and other payables		3,742	3,462
Net current assets/(liabilities)		12,371	(73)
Total assets less current liabilities		401,995	303,482
Financed by:			
Share capital	20	221,997	145,287
Reserves	22	179,998	158,195
Shareholders' funds		401,995	303,482

Consolidated Statement of Changes in Equity



For the year ended 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Total equity as at 1st January		376,124	374,469
Surplus on revaluation of properties	22	3,734	2,600
Net gain not recognised in the profit and loss account		3,734	2,600
Loss for the year	22	(26,334)	(35,596)
Issue of rights shares, including share premium	20, 22	105,333	35,090
Share issue expenses	22	(2,441)	(439)
Exercise of share option	20, 22	4,306	–
Total equity as at 31st December		460,722	376,124



Consolidated Cash Flow Statement

For the year ended 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
Net cash used in operations	23(a)	(43,931)	(22,068)
Hong Kong profits tax paid		(877)	–
Net cash outflow from operating activities		(44,808)	(22,068)
Investing activities			
Purchase of subsidiaries net of cash and cash equivalents acquired	23(c)	22,142	–
Proceeds from partial disposal of investment in a subsidiary		4,200	–
Interest income from authorised financial institutions		712	3,538
Dividend income		200	–
Purchase of fixed assets		(8,366)	(996)
Purchase of long term investment		–	(4,250)
Increase in pledged bank deposits		(184)	(189)
Proceeds from disposal of fixed assets		326	–
Purchase of investment securities – unlisted equity securities		(19,837)	–
Purchases of other investment less proceeds from subsequent disposals		(30,452)	(4,000)
Disposal of other investments acquired in previous years		4,000	–
Increase in other non-current assets		(3,247)	–
Net cash outflow from investing activities		(30,506)	(5,897)
Net cash outflow before financing		(75,314)	(27,965)
Financing activities			
Proceeds from issue of shares	23(b)	109,639	34,651
Share issuance expenses	23(b)	(2,441)	–
Interest paid		(2,007)	–
Repayment of bank loan	23(b)	(106,335)	–
Net cash (outflow)/inflow from financing		(1,144)	34,651
(Decrease)/increase in cash and cash equivalents		(76,458)	6,686
Cash and cash equivalents at the beginning of year		219,229	212,543
Cash and cash equivalents at the end of year		142,771	219,229
Analysis of balances of cash and cash equivalents			
Bank balances and cash		125,770	14,394
Time deposits with original maturity of less than three months when acquired		17,001	204,835
		142,771	219,229



31st December 2003

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties and investments in securities are stated at fair value.

In the current year, the Group has adopted SSAP12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. Management considered that the adoption of SSAP 12 does not have material impact to the accounts of the Group.

The principal accounting policies below have taken into account the adoption of the new standard.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



1. Principal accounting policies (continued)

(d) Revenue recognition

Revenue from the provision of catering services, technology consultation services and investment banking and financial services and underwriting commission income are recognised when the services are rendered.

Revenue from sales of computer hardware and software are recognised over the period of the contract based on the percentage of completion method, which is measured by reference to the costs incurred to date as a percentage of total estimated costs for each contract.

Revenue from the sale of other products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

All transactions related to securities trading, futures and options contracts dealings and the related commission income are recorded in the accounts based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

Operating lease rental income is recognised on a straight-line basis over the lease terms.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(e) Intangibles

(i) Goodwill

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

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

(ii) Trading rights

Trading rights represent rights on The Stock Exchange of Hong Kong Limited ("HKSE") and Hong Kong Futures Exchange Limited ("HKFE") acquired as part of the consideration for original membership shares in the HKSE and HKFE following merger of HKSE and HKFE and their respective clearing houses in March 2000 and subsequent listing of HKSE. Trading rights were recognised as intangible assets and are amortised using the straight-line method over their estimated useful lives.



1. Principal accounting policies (continued)

(f) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential and rental income being negotiated at arm's length.

Investment properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of the reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Depreciation*

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Leasehold land of other properties is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Restaurants, vessels, ferries and pontoons	5% to 10%
Long term leasehold land	over the lease terms
Long term leasehold buildings	2.5%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% to 20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.



1 Principal accounting policies (continued)

(f) Fixed assets (continued)

(iv) *Gain or loss on sale*

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the investment property is transferred to retained earnings and is shown as a movement in reserves.

(g) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the tangible and intangible assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(h) Investments securities and other investments

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Trade receivables

Provision is made against trade receivable to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.



1. Principal accounting policies (continued)

(j) Contracts in progress

Contact revenue and contact costs are recognised based on the percentage of completion method as detailed in note 1(d). When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contracts, under current liabilities. Costs incurred in the period in connection with future activity on a contract are excluded and shown as work-in-progress included in inventories.

Amounts due from customers on contracts are included in prepayments, deposits and other receivables.

(k) Inventories

Inventories comprise stocks and work in progress.

Stocks are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Accounting policy for work-in-progress is set out in note 1(j).

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.



1. Principal accounting policies (continued)

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

When the Group is the lessor, assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income (net of any incentives) given to lessees is recognised on a straight-line basis over the lease terms.

(n) Translation of foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated in Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(o) Segregated accounts

Segregated accounts maintained by the Group to hold clients' monies are treated as off-balance sheet items. As at 31st December 2003, the Group maintained trust accounts with Hong Kong Futures Exchange Clearing Corporation Limited in conjunction with its future brokerage business and authorised institutions as a result of its normal business transactions with amounts of approximately HK\$6,116,000 (2002: nil) and HK\$249,349,000 (2002: nil) respectively, which are not dealt with in the accounts.

(p) Employee benefits

(i) Pension obligations

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Group also contributes to the Mandatory Provident Fund ("MPF") scheme which is available to all Hong Kong employees. Contributions to the MPF scheme by the employees are calculated as a percentage of employees' basic salaries with a maximum of HK\$1,000 per employee per month and are expensed as incurred. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.



31st December 2003

1. Principal accounting policies (continued)

(p) Employee benefits (continued)

(ii) *Employee leave and long service payment entitlements*

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(r) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, investments in securities, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.



2. Turnover, revenue and segment information

Turnover and revenue are principally arising from the following business segments:

The investment banking and financial services segment, which mainly comprises broking and dealing for clients in securities and future and option contracts mainly on the HKSE and HKFE and the provision of other related financial services including margin financing, securities underwriting, placing, advisory services and investment holding.

The technology segment, which mainly comprises sales of technology solution systems and related services to customers principally in Asia.

The leisure and entertainment segment, which mainly comprises restaurant operations and related activities.

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

Revenue recognised during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover (see primary reporting format – business segments for details)	164,036	82,838
Other revenues		
Proceeds from insurance claim	93	177
Underwriting commission income	3,572	–
Interest income from authorised institutions and banks	1,227	3,538
Others	602	369
	5,494	4,084
Total revenues	169,530	86,922

Notes to the Accounts



31st December 2003

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments

	Year ended / As at 31st December 2003				
	Investment banking and financial services HK\$'000	Leisure and entertainment HK\$'000	Technology HK\$'000	Property and other investments HK\$'000	Group HK\$'000
Revenues					
Turnover	75,504	54,861	29,203	4,468	164,036
Other revenues	223	801	108	4,362	5,494
	75,727	55,662	29,311	8,830	169,530
Segment results	3,005	(11,713)	(9,413)	2,258	(15,863)
Unallocated costs					(14,911)
Loss before finance costs and taxation					(30,774)
Segment assets	389,105	33,596	25,662	226,155	674,518
Segment liabilities	113,443	8,246	23,323	5,832	150,844
Other segment information:					
Depreciation and amortisation	6,693	4,324	6,277	1,938	19,232
Capital expenditures	11,359	312	12,980	2,192	26,843
Impairment of assets	-	-	3,080	1,200	4,280
Provision for doubtful receivables	1,934	-	122	-	2,056



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31st December 2003

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments (continued)

	Year ended / As at 31st December 2002		
	Leisure and entertainment <i>HK\$'000</i>	Property and other investments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenues			
Turnover	77,929	4,909	82,838
Other revenues	1,633	2,451	4,084
	<u>79,562</u>	<u>7,360</u>	<u>86,922</u>
Segment results	<u>(21,395)</u>	<u>(8,684)</u>	<u>(30,079)</u>
Unallocated costs			<u>(8,051)</u>
Loss before finance costs and taxation			<u>(38,130)</u>
Segment assets	<u>36,482</u>	<u>382,287</u>	<u>418,769</u>
Segment liabilities	<u>12,367</u>	<u>6,020</u>	<u>18,387</u>
Other segment information:			
Depreciation	5,580	347	5,927
Capital expenditures	207	789	996
Impairment of assets	–	9,054	9,054
Fixed assets written off	3,858	–	3,858
Provision against deposit paid	–	3,500	3,500

Notes to the Accounts



31st December 2003

2. Turnover, revenue and segment information (continued)

Secondary reporting format – geographical segments

	Year ended/As at 31st December 2003			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	143,674	(15,715)	631,548	24,504
The People's Republic of China excluding Hong Kong ("PRC")	-	(501)	614	564
United Kingdom	-	-	992	-
Macau	20,362	353	20,727	1,775
	164,036	(15,863)	653,881	26,843
Unallocated costs		(14,911)		
Loss before finance costs and taxation		(30,774)		
Investment securities			20,637	
Total assets			674,518	

No geographical segment analysis for the year ended 31st December 2002 is presented as the Group's revenues, assets and liabilities were principally derived from operations carried out in Hong Kong for the year ended 31st December 2002.

3. Other income

	2003 HK\$'000	2002 HK\$'000
Realised gain on trading of other investments	9,228	-
Unrealised gain on holding of other investments	958	-
Total	10,186	-



Notes to the Accounts

31st December 2003

4. Loss before finance costs and taxation

Loss before finance costs and taxation is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
Charging		
Auditors' remuneration	674	437
Loss on disposal of fixed assets	478	–
Fixed assets written off	–	3,858
Impairment of fixed assets	3,080	143
Impairment of investment securities – unlisted equity securities	1,200	8,912
Provision for doubtful receivables	2,056	–
Provision against deposit paid	–	3,500
Depreciation of fixed assets	16,154	5,927
Amortisation of intangible assets	3,078	–
Operating leases in respect of land and buildings	6,009	375
Termination benefits	1,175	3,638
Pension costs – contributions to defined contribution plans	3,056	1,967
Forfeiture of pension contributions	(2,127)	–
Crediting		
Rental income:		
Gross	(5,467)	(6,180)
Outgoings	84	300
Net of outgoings	(5,383)	(5,880)

5. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	1,967	–
Others	40	–
	2,007	–

Notes to the Accounts



31st December 2003

6. Taxation and deferred taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	(354)	–
– Under provisions in prior years	(523)	–
Deferred taxation relating to the origination and reversal of timing differences	(324)	–
Taxation charges	(1,201)	–

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Loss before taxation	(32,781)	(38,130)
Calculated at a taxation rate of 17.5% (2002: 16%)	5,737	6,101
Effect of different taxation rates in Macau	(5)	–
Expenses not deductible for taxation purposes	(457)	–
Utilisation of previously unrecognised tax losses	71	–
Under-provision of current taxation in prior years	(523)	–
Unrecognised deferred tax assets arising from estimated tax losses	(6,024)	(6,101)
Taxation charge	(1,201)	–

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



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31st December 2003

6. Taxation and deferred taxation (continued)

The deferred tax liabilities provided for at the balance sheet date arose from accelerated depreciation allowance. The movements during the year are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
As at 1st January	–	–
Charged to profit and loss account	324	–
	324	–

The major components of the net deferred liabilities/(assets) not provided for at the balance sheet date are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowances	3,147	582
Tax losses	(78,101)	(20,258)
	(74,954)	(19,676)

Included in the Group's net deferred assets not provided for as at 31st December, 2003 was an amount of approximately HK\$49,982,000 attributable to the tax losses of Value Convergence Holdings Limited and its subsidiaries, which have become subsidiaries of the Group during the year.

	Company	
	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowances	–	(1)
Tax losses	(2,513)	(2,268)
	(2,513)	(2,269)

The tax losses of the Group and the Company as at 31st December 2003 were available for carry forward but subject to the approval of the Hong Kong Inland Revenue Department and the tax bureau in Macau. These tax losses have no expiry date.

Notes to the Accounts



31st December 2003

7. Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the company to the extent of a loss of HK\$8,685,000 (2002: HK\$10,933,000).

8. Dividends

No dividends have been paid or declared by the Company during the year ended 31st December 2003 (2002: nil).

9. Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders of HK\$26,334,000 (2002: HK\$35,596,000) and the weighted average number of 165,762,626 (2002: 131,231,244) ordinary shares in issue during the year, taking into account the issuance of rights shares in August 2003 (Note 20(b)).

Diluted loss per share has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share (2002: anti-dilutive).

10. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	951	1,745
Other emoluments:		
Basic salaries, allowances, share options and benefits in kind	3,557	1,984
Retirement benefits scheme contributions	27	42
	3,584	2,026
	4,535	3,771

Directors' fees disclosed above include approximately HK\$854,000 (2002: HK\$600,000) paid to independent non-executive directors.

During the year, no (2002: 4,843,484) share options were granted to directors of the Company in respect of their services provided to the Group, further details of which are set out in note 21 to the accounts. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' emoluments disclosure.



10. DIRECTORS' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands		
HK\$nil – HK\$1,000,000	6	9
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2002: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2002: three) individuals during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries, allowances, share options, and benefits in kind	7,602	2,112
Retirement benefits scheme contribution	28	42
	7,630	2,154

The emoluments fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands		
HK\$nil – HK\$1,000,000	–	3
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	1	–

- (c) During the year, no (2002: nil) directors or the above highest paid individuals waived or agreed to waive any emoluments. No (2002: nil) emoluments have been paid to the directors of the Company or the above highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Accounts



31st December 2003

11. Intangible assets

	Goodwill	Group Trading rights	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost			
At 1st January 2003	–	–	–
Acquisition of subsidiaries (Note 23(c))	22,319	3,757	26,076
At 31st December 2003	22,319	3,757	26,076
Accumulated amortisation			
At 1st January 2003	–	–	–
Charge for the year	(2,614)	(464)	(3,078)
At 31st December 2003	(2,614)	(464)	(3,078)
Net book value			
At 31st December 2003	19,705	3,293	22,998
At 1st January 2003	–	–	–

The addition of goodwill during the year arose from the acquisition of Value Convergence Holdings Limited during the year (see note 23(c) for further details). The goodwill is amortised over their estimated useful lives of 10 years.

Trading rights are amortised over their estimated useful lives of 10 years.



Notes to the Accounts

31st December 2003

12. Fixed assets

	Group					
	Investment properties	Restaurant vessels, ferries and pontoons	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of valuation						
At 1st January 2003	155,000	43,497	614	686	50,961	250,758
Acquisition of subsidiaries (Note 23(c))	-	-	-	2,756	54,732	57,488
Additions	-	168	-	5,230	2,968	8,366
Surplus on revaluation	4,000	-	-	-	-	4,000
Write-off	-	-	-	-	(16,902)	(16,902)
Disposals	-	-	-	(1,421)	(1,247)	(2,668)
Exchange translation	-	-	-	226	73	299
At 31st December 2003	159,000	43,665	614	7,477	90,585	301,341
Accumulated depreciation and impairment						
At 1st January 2003	-	33,193	180	365	39,694	73,432
Acquisition of subsidiaries (Note 23(c))	-	-	-	259	38,752	39,011
Charge for the year	-	1,777	9	2,139	12,229	16,154
Impairment charge	-	-	-	-	3,080	3,080
Write-off	-	-	-	-	(16,902)	(16,902)
Disposals	-	-	-	(883)	(746)	(1,629)
Exchange translation	-	-	-	211	68	279
At 31st December 2003	-	34,970	189	2,091	76,175	113,425
Net book value						
At 31st December 2003	159,000	8,695	425	5,386	14,410	187,916
At 31st December 2002	155,000	10,304	434	321	11,267	177,326

Notes to the Accounts



31st December 2003

12. Fixed assets (continued)

The analysis of the cost or valuation at 31st December 2003 of the above asset is as follows:

	Investment properties <i>HK\$'000</i>	Restaurant vessels, ferries and pontoons <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	–	43,665	614	7,477	90,585	142,341
At valuation	159,000	–	–	–	–	159,000
	159,000	43,665	614	7,477	90,585	301,341

The analysis of the cost or valuation at 31st December 2002 of the above asset is as follows:

	Investment properties <i>HK\$'000</i>	Restaurant vessels, ferries and pontoons <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	–	43,497	614	686	50,961	95,758
At valuation	155,000	–	–	–	–	155,000
	155,000	43,497	614	686	50,961	250,758



12. Fixed assets (continued)

**Company
Furniture,
fixtures and
equipment**
HK\$'000

Cost

At 1st January 2003 and 31st December 2003	6
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Accumulated depreciation

At 1st January 2003	2
Charge for the year	4

At 31st December 2003	6
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Net book value

At 31st December 2003	—
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At 31st December 2002	4
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The Group's investment properties and leasehold land and buildings are located in Hong Kong and are held under long term leases.

The Group's investment properties comprise: (i) a residential building located at 5 Tung Shan Terrace, Stubbs Road, Hong Kong which was revalued on an open market, existing tenancy basis by FPD Savills (Hong Kong) Limited, an independent firm of professional valuers, as at 31st December 2003 at HK\$82,000,000 (2002: HK\$80,000,000); and (ii) 509 car parking spaces located on the lower basement, basement and G/F to 5/F of Jumbo Court Public Carpark, 3 Welfare Road, Aberdeen, Hong Kong, was revalued on an open market, existing tenancy basis by FPD Savills (Hong Kong) Limited, an independent firm of professional valuers, as at 31st December 2003 at HK\$77,000,000 (2002: HK\$75,000,000).

Notes to the Accounts



31st December 2003

12. Fixed assets (continued)

The investment properties are leased to third parties under operating leases arrangements, with leases negotiated for terms ranging from 6 months to 3.5 years. As at 31st December 2003, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	3,396	3,353
Later than one year and not later than five years	1,953	455
	5,349	3,808

At 31st December 2003, certain investment properties with net book value of HK\$82,000,000 (2002: nil) were pledged as security for the Group's banking facilities.

13. Investments in subsidiaries

	Company	
	2003	2002
	HK\$'000	HK\$'000
Investments at cost:		
Unlisted shares	390	390
Provision for impairment	(390)	(390)
	-	-
Due from subsidiaries (<i>note a</i>)	707,864	603,551
Due to subsidiaries (<i>note a</i>)	(9,498)	-
Provision for amounts due from subsidiaries	(308,742)	(300,000)
	389,624	303,551



Notes to the Accounts

31st December 2003

13. Investments in subsidiaries (continued)

Note:

- (a) Included in the amounts due from/(to) subsidiaries are loans to subsidiaries of HK\$187 million which are interest bearing at prime rate minus two per cent to prime rate per annum, Other amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) The following is a list of the principal subsidiaries at 31st December 2003:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held
Double Crown Limited ¹	Hong Kong	Property Investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Palmsville Developments Limited ^{1, 4}	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Proven Success Limited ¹	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Melco Services Limited ¹	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Melco Finance and Technology Limited ¹	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares of HK\$1,000 each and 33,930 B shares of HK\$500 each	86.68%
Sea Palace, Limited	Hong Kong	Dormant	390 ordinary shares of HK\$5 each	86.46%
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares of HK\$100 each and 13,495 ordinary shares of HK\$100 each	84.76%

Notes to the Accounts



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13. Investments in subsidiaries (continued)

Note: (continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective Interest held
Jumbo Watertours Limited	Hong Kong	Inactive	100 ordinary shares of HK\$1 each	100%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	200 ordinary shares of HK\$5,000 each	86.68%
Value Convergence Holdings Limited ²	Hong Kong	Investment holding in Hong Kong	238,154,999 ordinary shares of HK\$ 0.1 each	67.57%
iAsia Online Systems Limited ²	British Virgin Islands	Provision of online trading software in Hong Kong	1 ordinary share of US\$1	67.57%
Elixir Group Limited ²	Hong Kong	Provision of hardware and software in Hong Kong	833,333 ordinary shares of HK\$1 each	52.37%
Elixir Group (Macau) Limited ²	Macau	Provision of hardware and software in Macau	2 ordinary shares of MOP450,000 and MOP50,000 each	52.37%
VC CFN Corporation Limited ²	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	67.57%
VC CEF Brokerage Limited ²	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	230,000,000 ordinary shares of HK\$1 each	67.57%



Notes to the Accounts

31st December 2003

13. Investments in subsidiaries (continued)

Note: (continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective Interest held
VC CEF Futures Limited ²	Hong Kong	Provision of futures and options contracts dealing services in Hong Kong	30,000,000 ordinary shares of HK\$1 each	67.57%
VC CEF Capital Limited ²	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	20,000,000 ordinary shares of HK\$1 each	67.57%
VC CFN Capital (Shenzhen) Limited ³	PRC	Provision of consultancy services in the PRC	–	67.57%
VC CFN Investments Limited ²	Hong Kong	Provision of securities investment service to group companies in Hong Kong	2 ordinary shares of HK\$1 each	67.57%
iAsia Services Limited ²	Hong Kong	Provision of management services in Hong Kong	10,000 ordinary shares of HK\$1 each	67.57%
iAsia Network Solutions Limited ²	British Virgin Islands	Provision of system customisation and network support services in Hong Kong	1 ordinary share of US\$1	67.57%
iAsia Technology (Asia) Limited ²	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	67.57%

1 Shares held directly by the Company

2 Acquired by the Group during the period (*note 23(c)*)

3 Incorporated in December 2003 and the registered capital amounted to HK\$1,000,000 was paid up in March 2004.

4 The company name of Palmsville Developments Limited has been changed to "Melco Leisure and Entertainment Group Limited" with effect from 17th March 2004.

Notes to the Accounts



31st December 2003

14. Investment securities

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	26,499	4,662
Provision for impairment	(5,862)	(4,662)
	20,637	–
Listed equity investment in Hong Kong, at cost	4,250	4,250
Provision for impairment	(4,250)	(4,250)
Total	20,637	–

15. Inventories

	Group	
	2003	2002
	HK\$'000	HK\$'000
Food and beverages	2,268	2,947
Consumable stores	52	39
Merchandise	1,776	–
Work in progress	41	–
	4,137	2,986

At 31st December 2003, no inventory was carried at net realisable value (2002: nil).

16. Trade receivables

	2003	2002
	HK\$'000	HK\$'000
Trade receivables		
Within 30 days	233,123	1,770
31–90 days	3,312	983
Over 90 days	6,288	29
	242,723	2,782
Less: Provision for doubtful receivables	(6,333)	–
	236,390	2,782



16. Trade receivables (continued)

- (a) The Group's leisure and entertainment segment and the property and other investments segments 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 60 days would be granted.
- (b) Trade receivables 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 31st December 2003 amounted to approximately HK\$235,922,000 (2002: nil). The settlement terms of the trade receivables arising from the broking in securities and equity options transactions are two days after the trade date of those transactions; and the trade receivables arising from the dealing in futures and options are one day after the trade date.

Loans to margin clients (included in investment banking and financial services) are secured by client's pledged securities, repayable on demand and bear interest at commercial rates.

- (c) Other trade receivables 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.

17. Other investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted debt securities, at fair value	–	4,000
Equity securities listed in Hong Kong, at market value	40,638	–
	40,638	4,000

Notes to the Accounts



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18. Amounts due from related companies

Particulars of the amounts due from related companies of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

		At 31st December 2003	Maximum amount outstanding during the year	At 1st January 2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sociedade Turismo				
e Diversões de Macau	(a)	429	429	425
iAsia Services Limited	(b)	–	1,982	1,982
		<u>429</u>		<u>2,407</u>

Notes:

- (a) The amount due from Sociedade Turismo e Diversões de Macau ("STDM"), a related company of which Dr. Stanley Ho is director and/or has direct and/or indirect beneficial interests, represented receivables in respect of the sales of souvenirs by the Group and remains unsettled (note 26(d)(iv)). The balance with STDM is unsecured, interest-free and has no fixed terms of repayment.
- (b) iAsia Services Limited ("iAsia Services") has become a subsidiary of the Group during the year and since then the balance due from iAsia Services as at 31st December 2003 were eliminated upon consolidation. iAsia Services was a related company of which Mr. Lawrence Ho and Dr. Stanley Ho are directors and Mr. Lawrence Ho, Dr. Stanley Ho, and Mr. Peter So are beneficial shareholders. The amount due from iAsia Services represented payments for leasehold improvements and rental deposits paid by the Group on behalf of iAsia Services, and is unsecured and interest-free. The amount has been fully repaid before the year end date.



Notes to the Accounts

31st December 2003

19. Trade payables

	Group	
	2003	2002
	HK\$'000	HK\$'000
Trade payables		
Within 30 days	104,658	2,356
31–90 days	3,416	–
Over 90 days	396	–
	108,470	2,356

Included in the trade payables aged within 30 days were trade payables in relation to the segment of investment banking and financial services of approximately HK\$98,096,000.

20. Share capital

Authorised		
Ordinary shares of		
HK\$1 each		
	No. of shares	Amount
	'000	HK\$'000
At 1st January 2003 and 31st December 2003	480,000	480,000
Issued and fully paid		
Ordinary shares of		
HK\$1 each		
	No. of shares	Amount
	'000	HK\$'000
At 1st January 2002, ordinary shares of HK\$1 each	121,087	121,087
Issue of shares by placement (<i>note a</i>)	24,200	24,200
At 31st December 2002, ordinary shares of HK\$1 each	145,287	145,287
Issue of rights shares (<i>note b</i>)	72,644	72,644
Exercise of share options (<i>note 21</i>)	4,066	4,066
At 31st December 2003, ordinary shares of HK\$1 each	221,997	221,997

Note:

- (a) In August 2002, 24,200,000 ordinary shares of HK\$1 each were issued at a price of HK\$1.45 per share by way of placement for a total consideration of HK\$35,090,000 before related expenses.
- (b) In August 2003, the company issued 72,643,567 rights shares of HK\$1 each at a price of HK\$1.45 per rights share on the basis of one rights shares for every two ordinary shares in issue. Proceeds of approximately HK\$105.3 million before issuance expenses were raised.



21. Share option

(a) **Melco International Development Limited**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors, including independent non-executive directors, executives, employees, consultants, professional and other advisers of the Group. The Scheme became effective on 8th March 2002 following its approval by the Company's shareholders at an extraordinary general meeting on the same date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of the Company's shares in issue as at 8th March 2002. The Company may seek approval of the Company's shareholders in a general meeting for refreshing the 10% limit under the Scheme save that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme under the limit as "refreshed" may not exceed 10% of the total number of the shares of the Company in issue as at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon the exercise of all options granted to such person within any 12-month period being more than 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than the expiry date of the Scheme.



21. Share option (continued)

(a) Melco International Development Limited (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of: (i) the closing price of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders meetings. No share option has been granted or been lapsed/ cancelled during the year.

The following share options were outstanding under the Scheme during the year ended 31st December 2003:

Category of participant	Adjustment in relation			At 31st December 2003	Date of grant of share options ²	Adjusted share price at date of grant of share options ¹	Adjusted exercise price of share options ^{1, 3}
	At 1st January 2003	to issuance of rights shares ¹	Exercised during the year				
Directors ^{4,5}	4,843,484	2,421,740	(1,816,306)	5,448,918	8th March 2002	HK\$0.82	HK\$1.00
Employees ⁶	500,000	250,002	–	750,002	8th March 2002	HK\$0.82	HK\$1.00
Employees ⁷	3,805,114	1,902,556	(2,250,000)	3,457,670	13th September 2002	HK\$1.1067	HK\$1.1067
Sub-total	4,305,114	2,152,558	(2,250,000)	4,207,672			
Others ⁸	2,960,115	1,480,057	–	4,440,172	13th September 2002	HK\$1.1067	HK\$1.1067
Total	12,108,713	6,054,355	(4,066,306)	14,096,762			



31st December 2003

21. Share option (continued)

(a) Melco International Development Limited (continued)

1. The number of share options granted, the share price at grant date and the exercise price of the share options were adjusted upon completion of the rights issue in 24th September 2003 as detailed in Note 20(b).
2. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
3. At 31st December 2003, the Company had 14,096,762 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 14,096,762 additional ordinary shares of the Company and additional share capital of approximately HK\$14,097,000 and share premium of approximately HK\$8,427,000, before issue expenses.
4. Mr. Peter So, who held 1,816,306 physically settled options as at 31st December 2003, resigned on 1st April 2004.
5. As at 31st December 2003, 5,448,918 physically settled options may be exercised during the period from 8th September 2002 to 7th March 2012.
6. Among 750,002 physically settled options as at 31st December 2003, 375,001 physically settled options may be exercised during the period from 8th March 2003 to 7th March 2012 and the other 375,001 physically settled options may be exercised during the period from 8th March 2004 to 7th March 2012.
7. Among 3,457,670 physically settled options as at 31st December 2003, 1,113,835 physically settled options may be exercised during the period from 13th September 2002 to 7th March 2012; 1,113,835 physically settled options may be exercised during the period from 13th March 2003 to 7th March 2012; 615,000 physically settled options may be exercised during the period from 13th September 2003 to 7 March 2012; and 615,000 physically settled options may be exercised during the period from 13th September 2004 to 7th March 2012.
8. Among 4,440,172 physically settled options as at 31st December 2003, 2,220,085 physically settled options may be exercised during the period from 13th September 2003 to 7th March 2012 and 2,220,085 physically settled options may be exercised during the period from 13th September 2004 to 7th March 2012.



21. Share option (continued)

(b) Value Convergence Holdings Limited ("VC")

(i) Pre-IPO share option plan

As at 31st December 2003, options of VC comprising an aggregate of 9,740,208 underlying shares granted on 6th April 2001 ("Pre-IPO Share Options") pursuant to the Pre-IPO share option plan adopted by VC on 14th March 2001 ("Pre-IPO Share Option Plan") at an exercise price of HK\$3.6 per share, after adjustment arising from the issue of rights and bonus shares and capital reorganisation as detailed in note 20(a) and (b) to the 2003 annual report of VC respectively, were outstanding, which represents 4.1% of the shares of VC in issue as at 31st December 2003. The exercise price represents a discount of 30% of the adjusted IPO offer price. The Pre-IPO Share Options have duration of approximately 4.5 years from the date of grant, i.e. between 6th April 2001 to 8th October 2005. According to the Pre-IPO Share Option Plan, any Pre-IPO Share Option granted shall lapse upon the expiration of 3 months after the relevant grantee ceases to be employed by VC and its subsidiaries ("VC Group"). The following are details of the outstanding Pre-IPO Share Options at 31st December 2003 (after adjustments arising from the issue of rights and bonus shares and capital reorganisation):

Categories of grantees	As at 31st December 2003	
	Total no. of grantees	No. of underlying Shares comprised in the Pre-IPO Share Options
Directors of the Company	5	8,478,020
Employees	3	1,262,188
Total	8	9,740,208

Certain Pre-IPO Share Options comprising a total of 516,979 underlying shares (after adjustments arising from the issue of rights and bonus shares and capital reorganisation) which had been granted to one employee lapsed during the year as the relevant employee failed to exercise the same within 3 months after the relevant employee ceased to be the employee of the VC Group. None of the Pre-IPO Share Options were exercised during the year.



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21. Share option (continued)

(b) Value Convergence Holdings Limited ("VC") (continued)

(ii) *New share option scheme*

The new share option scheme ("New Share Option Scheme") was adopted by VC on 29th November 2001 (which supersedes the previous share option scheme of the Company adopted on 14th March 2001).

As at 31st December 2003, options comprising an aggregate of 4,228,002 underlying Shares granted on 9th July 2002 ("New Share Options") pursuant to the New Share Option Scheme at an exercise price of HK\$1.0 per share, after adjustments arising from the issue of rights and bonus shares and capital reorganisation, were outstanding, which represents 1.8% of the shares of VC in issue as at 31st December 2003. The adjusted closing price of the VC's shares immediately before 9th July 2002 was HK\$0.65. The New Share Options have duration of 10 years from the date of grant, i.e. between 9th July 2002 to 8th July 2012. Accordingly to the New Share Option Scheme, any New Share Option's granted shall lapse upon the expiration of 3 months after the relevant grantee ceases to be employed (if applicable) by VC Group. The following are details of the outstanding New Share Options as at 31st December 2003 (after adjustments arising from the issue of rights and bonus shares and capital reorganisation):

Categories of grantees	As at 31st December 2003	
	Total no. of grantees	No. of underlying Shares comprised in the New Share Options
Directors of the Company	3	1,473,171
Employees	26	1,821,823
Other eligible persons	5	933,008
Total	34	4,228,002

Certain Share Options to subscribe for a total of 682,569 underlying shares (after adjustments arising from the issue of rights and bonus shares and capital reorganisation) granted to ten employees lapsed during the year as the relevant employees failed to exercise the same within 3 months after the relevant employees ceased to be the employees of VC Group. None of the New Share Options were exercised during the year.



Notes to the Accounts

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22. Reserves

	Group				
	Share premium	Investment properties revaluation reserve	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	8,738	76,614	357,785	(189,755)	253,382
Issue of shares	10,890	–	–	–	10,890
Share issue expenses	(439)	–	–	–	(439)
Surplus on revaluation of investment properties	–	3,000	–	–	3,000
Revaluation surplus attributable to minority shareholders	–	(400)	–	–	(400)
Net loss for the year	–	–	–	(35,596)	(35,596)
At 31st December 2002 and 1st January 2003	19,189	79,214	357,785	(225,351)	230,837
Surplus on revaluation of investment properties	–	4,000	–	–	4,000
Revaluation surplus attributable to minority shareholders	–	(266)	–	–	(266)
Net loss for the year	–	–	–	(26,334)	(26,334)
Issue of rights shares	32,689	–	–	–	32,689
Share issuance expenses	(2,441)	–	–	–	(2,441)
Exercise of share option	240	–	–	–	240
At 31st December 2003	49,677	82,948	357,785	(251,685)	238,725

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31st December 2003



22. Reserves (continued)

	Share premium	Company Capital reserve	Accumulated Losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2002	8,738	357,785	(207,846)	158,677
Issue of shares	10,890	–	–	10,890
Share issue expenses	(439)	–	–	(439)
Net loss for the year	–	–	(10,933)	(10,933)
At 31st December 2002 and 1st January 2003	19,189	357,785	(218,779)	158,195
Issue of rights shares	32,689	–	–	32,689
Share issue expenses	(2,441)	–	–	(2,441)
Exercise of share option	240	–	–	240
Net loss for the year	–	–	(8,685)	(8,685)
At 31st December 2003	49,677	357,785	(227,464)	179,998



Notes to the Accounts

31st December 2003

23. Consolidated cash flow statement

(a) Reconciliation of operating loss to net cash used in operations

	2003 HK\$'000	2002 HK\$'000
Operating loss	(30,774)	(38,130)
Realised gain on trading of other investments	(9,228)	–
Unrealised gain on holding of other investments	(958)	–
Depreciation and amortisation	19,232	5,927
Gain on partial disposal of investment in a subsidiary	(149)	–
Loss on disposal of fixed assets	478	–
Exchange loss	48	–
Fixed assets written off	–	3,858
Impairment of fixed assets	3,080	142
Impairment of investment securities	1,200	8,912
Provision against deposit paid	–	3,500
Interest income from authorised financial institutions	(712)	(3,538)
Dividend income	(200)	–
Operating loss before working capital changes	(17,983)	(19,329)
(Increase)/decrease in inventories	(749)	166
(Increase)/decrease in accounts receivables	(119,225)	215
Decrease/(increase) in prepayments, deposits and other receivables	7,168	(9,447)
Decrease/(increase) in amount due from related companies	1,978	(1,961)
Increase/(decrease) in accounts payables	58,626	(218)
(Decrease)/increase in rental deposits	(70)	49
Increase in accrued liabilities and other payables	26,324	8,457
Net cash used in operations	(43,931)	(22,068)

Notes to the Accounts



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23. Consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Minority interests		Bank loan	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	164,476	129,825	24,258	26,392	-	-
Minority interests' share of loss	-	-	(7,648)	(2,534)	-	-
Revaluation surplus attributable to minority shareholders	-	-	266	400	-	-
Acquisition of subsidiary attributable to minority interest	-	-	42,025	-	-	-
Partial disposal of investment in subsidiaries attributable to minority interest	-	-	4,051	-	-	-
Cash (outflows)/inflows from financing	107,198	34,651	-	-	(106,335)	-
Bank borrowings of subsidiaries acquired	-	-	-	-	106,335	-
At 31st December	271,674	164,476	62,952	24,258	-	-



23. Consolidated cash flow statement (continued)

(c) Acquisition of subsidiaries

	2003 HK\$'000
Net assets acquired	
Fixed assets	18,477
Intangible assets	25,478
Other long-term assets	6,534
Trade and other receivables	118,428
Bank balances and cash	122,900
Trade and other payables	(43,297)
Bank borrowings	(106,335)
Minority shareholders' interests	(42,025)
	100,160
Goodwill	598
	100,758
Satisfied by	
Cash	100,758
	100,758

Analysis of the net cash inflow in respect of the acquisition of subsidiaries:

	2003 HK\$'000
Cash consideration	(100,758)
Bank balances and cash in hand acquired	122,900
Net cash inflow in respect of the acquisition of subsidiaries	22,142

24. Pledge bank deposits

As at 31st December 2003, the Group's bank deposits amounting to HK\$304,000 (2002: HK\$1,100,000) were pledged to secure a letter of guarantee to the extent of HK\$120,000 (2002: HK\$1,031,000) granted by a bank for the Group's water and electricity deposits and for tendering of contracts with the Macau government by a subsidiary of the Group.

Notes to the Accounts



31st December 2003

25. Commitments

(a) Capital commitments

At 31st December 2003, the Group had contracted commitments in respect of renovation project as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for	4,547	–

(b) Commitments under operating leases

The Group leases certain of its office properties and furniture under operating lease arrangements. At 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	4,853	373
Later than one year and not later than five years	4,958	1,349
	9,811	1,722

26. 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 to related companies of approximately HK\$1,808,000 (2002: nil).



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31st December 2003

26. Related party transactions (continued)

- (b) The prepayments, deposits and other receivables include amounts due from customers on contracts in relation to sales of computer hardware and software to related companies of approximately HK\$1,702,000 (2002: nil).

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contract costs incurred plus attributable profits	5,683	–
Less: Progress billings to date	(3,981)	–
	1,702	–

- (c) The accruals and other payables include deposits received from related companies in relation to sales of computer hardware and software of approximately HK\$10,180,000 (2002: nil).

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

		Group	
		2003	2002
	<i>Notes</i>	HK\$'000	HK\$'000
Catering income received from			
directors and related companies	(i)	2,486	3,601
Insurance premiums paid to a related company	(ii)	1,173	954
Management fees paid to a related company	(iii)	569	442
Souvenirs sold to a related company	(iv)	418	416
Brokerage commission income earned from			
certain directors of the Group or their relatives	(v)	106	–
Sales of computer hardware and software to			
related companies	(vi)	15,634	–

Notes:

- (i) The Group received 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. Stanley Ho, a director of the Company, is also a director and/or has direct and/or indirect beneficial interests in STHL.



31st December 2003

26. Related party transactions (continued)

- (iii) The Group paid management fees to Shun Tak Property Management Limited ("STPML"), a subsidiary of STHL, on a cost reimbursement basis for building management expenditure paid by STPML on behalf of the Group.
- (iv) The sales of souvenirs to Sociedade de Turismo e Diversões de Macau ("STDM"), a related company of which Dr. Stanley Ho is director and/or has direct and/or indirect beneficial interests, were made according to the published prices and conditions offered to customers of the Group, except that a longer credit period was normally granted. The balance due from STDM at 31st December 2003 was HK\$429,000 (2002: HK\$425,000) (note 18).
- (v) 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.
- (vi) Service fees charged 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.

27. Post Balance Sheet Events

On 19th March 2004, the board of directors of the Company has approved the proposed conditional Group reorganisation and asset acquisition involving issue of consideration shares and convertible notes. The Company has conditionally agreed to purchase the entire interests in the business segment of sales of technology solution systems and related services from Value Convergence Holdings Limited, a 67.57%-owned subsidiary, at a consideration of approximately HK\$27.9 million to be settled in cash. In addition, the Company has conditionally agreed to acquire 80% of the issued share capital of Mocha Slot Group Limited from its shareholders at an aggregate consideration of approximately HK\$353 million, which will be settled by the issue and allotment of 153,478,261 new shares of the Company to the sellers.

The said proposed Group reorganisation and asset acquisition are subject to independent shareholders' approval.

28. Comparative figures

The accounts as at and for the year ended 31st December 2002 were audited and reported on by certified public accountants other than PricewaterhouseCoopers, whose report dated 2nd April 2003 expressed an unqualified opinion on those accounts. Certain of the 2002 comparative figures have been reclassified to conform to the current year's presentation.

29. Approval of accounts

The accounts were approved by the board of directors on 21st April 2004.



Notice of 89th Annual General Meeting

NOTICE is hereby given that the 89th annual general meeting of Melco International Development Limited will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Thursday, 20th May 2004 at 3:00 p.m. for the following purposes:

1. To consider and receive the audited financial statements and the reports of the directors and auditors for the financial year ended 31st December 2003.
2. To re-elect directors and to fix the remuneration of the directors.
3. To re-appoint auditors and to fix their remuneration.
4. As special business to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares of the Company be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:-

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
- iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”



5. As special business to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(I) **“THAT:**

- (a) subject to paragraph (c) of this Resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus;
 - (bb) (if the directors of the Company are so authorised by a separate resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly;



Notice of 89th Annual General Meeting

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
- iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

- (II) **“THAT** the directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution (I) in item 5 of the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”.

6. As special business to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT the Articles of Association of the Company be and are hereby amended in the following manner:

- (1) Article 2

- (a) by deleting the existing definition of “Hong Kong” and by substituting therefor the new definition as follows:

““Hong Kong” shall mean Hong Kong Special Administrative Region of the People’s Republic of China”;



- (b) by deleting the definition of “recognised clearing house” and by substituting therefor the following:

“recognised clearing house” shall mean a recognised clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force;

- (c) by deleting the existing definition of “associate” and by substituting therefor the new definition of “associate” as follows:

- “(i) his spouse;
- (ii) any child or step-child, natural or adopted, under the age of 18 years of such individual or of his spouse (together with (i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers (“the Takeovers Code”) as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);
- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company;
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.”;



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- (d) by deleting the words “or corporation” in the first line of the definition of “Secretary”
- (e) by adding the following paragraph and its margin note immediately after the definition of the word “dollars” as follows:

““business day” shall mean any day on which the Stock Exchange is open for the business of dealing in securities”;

- (f) by replacing the words “Chief Secretary” appearing in the fourth line of the definition of “newspaper” by the words “Chief Secretary for Administration”;

(2) Article 16

by inserting the words “ten business days after” before the words “lodgement of a transfer” in the second line;

(3) Article 42

by replacing the words “two months” appearing in the first and second lines by the words “ten business days”;

(4) Article 84

by re-numbering the existing Article 84(B) as Article 84(C) and inserting new Article 84(B) as follows:

“(B) Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”;

(5) Article 102(H)

- (a) by replacing the words “is to his knowledge materially interested” appearing in the third line by the words “or any of his associates has a material interest”;
- (b) by inserting the words “or his associate(s)” after the words “such Director” in the first line and the words “or any of his associate(s)” after the words “lent by him” or “undertaken by him” in the second line of sub-cause (i);
- (c) by inserting the words “or his associate(s)” and “/ themselves” immediately before the words “has” and “guaranteed” in the third line of sub-clause (ii) respectively;
- (d) by inserting the words “or his associate(s)” after the word “Director” in the first and fifth lines of sub-clause (iii);

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- (e) by deleting the words “Director is or is to be interested” in the third line of sub-clause (iv) and by substituting therefor the words “Director or his associate(s) is/are or is/are to be interested”;
 - (f) by inserting the words “or his associate(s)” and “/ are” immediately after the words “Director” and “is” in the first line respectively and by adding the word “their” immediately after the word “his” in the third line of sub-clause (v);
 - (g) by adding the words “or his associate(s)” and “/ are” immediately after the words “he” and “is” in the third line of sub-clause (vi) respectively;
 - (h) by inserting the words “, their associates” and “or his associate(s)” immediately after the words “Directors” and “Director” in the fourth and fifth lines of sub-clause (vii) respectively;
 - (i) by inserting the words “or his associate(s)” immediately after the word “Director” in the fourth line of sub-clause (viii);
- (6) Article 107
- by inserting the words “The period for lodgment of the notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of the general meeting.” at the end of the existing Article;
- (7) Article 109
- by replacing the words “special resolution” appearing in the first line and its margin note by “ordinary resolution”;
- (8) Article 183 (A) and (B)
- (a) by deleting the words “(including any such liability as is mentioned in paragraph (c) of the proviso to Section 165 of the Companies Ordinance)” in Article 183(A);



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- (b) by deleting the existing Article 183(B) and by substituting therefor the following new Articles 183(B), (C) and (D):

“(B) The Company may indemnify any Director or other officer of the Company against any liability incurred by him:

- (i) in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted; or
- (ii) in connection with any application under Section 358 of the Companies Ordinance in which relief is granted to him by the court.

(C) The Company may purchase and maintain for any Director or officer of the Company:

- (i) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
- (ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

(D) In this Article, “related company”, in relation to the Company, means any company that is the Company’s subsidiary or holding company or a subsidiary of the Company’s holding company.”.

By Order of the Board
Tsang Yuen Wai, Samuel
Secretary

Hong Kong, 21st April 2004

Notice of 89th Annual General Meeting



Registered Office:

38th Floor, The Centrium,
60 Wyndham Street,
Central
Hong Kong.

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice is entitled to appoint one or more proxies to attend and on a poll vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members will be closed from Tuesday, 18th May, 2004 to Thursday, 20th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Standard Registrars Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 17th May 2004.
4. With regard to item 4 above, the directors wish to draw the attention of the shareholders to the circular which summarises the more important provisions of the Listing Rules relating to the repurchase of shares on The Stock Exchange of Hong Kong Limited by a company and will be despatched to the shareholders together with the annual report. The present general mandate to repurchase shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.
5. With regard to item 5 above, the directors wish to state that, currently, they have no plans to issue any additional new shares of the Company (other than pursuant to any of items (ii), (iii) or (iv) contained in paragraph (c) of the Resolution (I)). The present general mandate to issue shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.