

Interim Report 2004

It is just the beginning...



Melco

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

HALF YEAR RESULTS

The Group's result has turned around in the first half of 2004. Turnover for the six months ended 30th June 2004 amounted to approximately HK\$210.9 million (2003: HK\$58.4 million) and unaudited profit attributable to shareholders amounted to approximately HK\$60.1 million, as compared to a loss of approximately HK\$14.9 million for the same period last year. Basic earning per share was 24.84 HK cents (Basic loss per share in 2003: 10.24 HK cents).

During the first half of 2004, the Group has focused on drastically expanding its principal business of leisure and entertainment in Macau by planning and initiating a few major projects in this field. Other than leisure and entertainment business, the Group also builds on its business segments of technology and investment banking and financial services. The Group is emphasizing and investing additional resources in developing its lines of business in the growing Macau market and during the period, approximately 49% of the Group's turnover was generated from Macau.

DIVIDENDS

The directors declared the payment of an interim dividend of 1 HK cent per ordinary share for the six months ended 30th June 2004 (2003: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 7th October 2004 to Tuesday, 12th October 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 6th October 2004.

BUSINESS REVIEW

Leisure and Entertainment

In order to speed up and drastically strengthen our leisure and entertainment strategy in Macau, during the period, the Group has strategically acquired an important business unit, Mocha Slot Group Limited ("Mocha"). The consideration of HK\$353 million was settled by an issue of 153,478,261 new shares, and the acquisition was completed on 9 June 2004. Mocha engages in the leasing of a wide variety of electronic gaming machines, including state-of-the-art slot machines and electronic multiplayer machines such as electronic Roulette, Baccarat, Sic-bo and Caribbean Stud, and the provision of related management services to casino operators in Macau. Given the continuing innovations in the market, changes in the electronic gaming industry and the gaming rules and regulations in Macau, Mocha's leasing and services model provides peace of mind to the enclave's casino operators. Mocha currently manages three slot

machine lounges in Macau under the “Mocha Slot” brand in Hotel Royal, Kingsway Hotel and Casino and at Kampek Casino with over 500 slot machines in total (about one quarter of the slot machines in operation in Macau). Since the opening of the first Mocha Slot Lounge in Hotel Royal in September 2003, the Mocha Slot Lounge concept has been a success and is continuing to rechart the course of the Macau gaming industry. The total number of slot machines in Macau has rapidly shot up to over 2,000, showing the market’s acceptance of electronic gaming machines and the emergence of a new type of gaming entertainment. As a first mover and key player, Mocha provides the Group with a strong entry into this niche market segment that has tremendous growth potentials.

As a further means to tap the growing Macau economy and its ever growing number of tourists, the Group has also started the strategic planning of its most ambitious and anchor project in Macau which involves constructing the first ever 6-star hotel and (subject to approval of the Macau government authorities) entertainment complex with one of the largest casino and electronic gaming machine areas.

The operating environment for the catering industry has gradually improved during the first half of 2004. The Group has continued with the renovations of its Jumbo and Tai-Pak restaurants during the period, and this has affected the revenue generated from this unit. The transformation of Jumbo and Tai-Pak restaurants into “Jumbo Kingdom” – a modern complex of fine-dining, shopping, sightseeing and cultural attractions – has been largely completed at the end of the period. New attractions added to Jumbo Kingdom includes: fine-dining restaurant “Dragon Court” which serves quality and innovative cuisine, conference and banquet facilities, sampan dining which revives a classic Hong Kong dining experience with “Typhoon Shelter” seafood meal, retail shops where tourists can choose their favorite souvenirs, ferry pier plaza and open cafe. Other attractions are due to be opened in later part of the year. With the completion of the revamp and launch of “Jumbo Kingdom” and the improvement of Hong Kong economy and operating environment of the fine-dining business, the Group has initiated a marketing campaign in promoting Jumbo Kingdom. We are optimistic that, with our marketing efforts and continued improvement of our food and service qualities and our offerings, the revamped “Jumbo Kingdom” will continue to be a tourist attraction in the Island south. Jumbo has also been planning for an expansion into Macau’s vast entertainment and food market with the up-coming launch of the famous and tremendously successful “Macau Chua Lam Gourmet Food Centre”. It is anticipated that this complex will open in late 2004.

During the period, turnover of our Leisure and Entertainment business increased to HK\$37.7 million (2003: HK\$25.1 million) which was primarily due to the increase in the business of Jumbo. Operation loss for the period was narrowed to HK\$5.2 million (2003: HK\$7.1 million). Since the acquisition of Mocha was only completed in mid-June 2004, the contribution from Mocha to this area was not material for the period.

Technology business

The Group's technology business is primarily conducted through Elixir group of companies ("Elixir") and iAsia group of companies ("iAsia"). Elixir is the premier Gaming IT infrastructure specialist in Macau with the provision of the latest gaming technology solutions including digital CCTV surveillance system, finger print access control system and facial recognition systems, as well as electronic gaming machines and systems. It also offers clients in Macau, Hong Kong and the PRC full range of hardware systems, system integration services and system network services. Elixir has become one of the leading technology solution providers in Macau through the expansion of its clientele to government organizations, banks and gaming clients. Also, Elixir has entered into partnership with world-renowned gaming system suppliers such as IGT, Interblock and R.Franco and is the pioneer in providing a total solution in this arena in Macau. Elixir will continue to cultivate and expand its service scope in Macau so as to maintain its leading position.

iAsia provides comprehensive online trading and related systems and services to financial institutions and intermediates. During the period, in addition to its current product offerings, iAsia developed a new Bullion Deal Matching System which was well received by customers. Also, iAsia has been improving and integrating the existing modules of online trading and related systems to better suit the customers' needs and the inclusion of Bullion Deal Matching System has enhanced the comprehensiveness of the systems. In addition, the Group's financial services business' systems are all supported by iAsia and it has contributed significantly to the technological advancement of the financial services unit.

The Group has undergone reorganization in May 2004, in which Melco Technology Group Limited (a wholly-owned subsidiary of the Group) had purchased all technology related businesses (i.e. interests in iAsia and Elixir) from Value Convergence Holdings Limited ("Value Convergence"), the Group's subsidiary. The consideration of HK\$27.9 million was settled in cash and by way of set-off of an intra group loan.

During the period, the technology business of the Group has successfully turned around and has become profitable. Turnover surged to HK\$105.8 million (2003: HK\$10.0 million), representing an increase of 9.6 times over the same period last year, and a profit of HK\$9.0 million (2003: Loss of HK\$7.5 million) was recorded. The revenue and profit were contributed by Elixir's gaming IT infrastructure business in Macau at HK\$100 million and HK\$8 million respectively. This is a reflection of the vast growth potential of the Macau IT, especially gaming IT, market and the efforts of our Elixir team. The iAsia's financial IT trading and settlement system business has also recorded a profit notwithstanding the static and cultivated state of the market.

Investment banking and financial services

During the first half of 2004, turnover of the investment banking and financial services business reached HK\$65.3 million (2003: HK\$20.7 million), representing an increase of 215.5%. This business has made a profit of HK\$9.0 million (2003: loss of HK\$5.9 million) for the period.

The investment banking and financial services primarily comprise investment banking (corporate finance advisory service, initial public offerings, mergers and acquisition advisory services); and brokerage (securities, futures and options broking and dealing). During the period, the investment banking division has completed several placements and IPO transactions. New offices in Shenzhen, Beijing and Shanghai have been set up in order to expand the deal sourcing capability as well as to provide better financial advisory services to our clients. Considerable effort has been placed in Macau to provide more advisory services to companies operating there to raise funds and tap overseas capital markets.

As a result of increased stock market activities during the period, business volume and transactions of the brokerage division had increased. The division also increased market share in the stock, futures and options markets. These, and the benefits arising from the implementation of strategic and operational initiatives, taken after acquisition of this business in late 2002, have contributed to the division's overall improved performance.

The research team has established a solid reputation in providing quality and independent company analyses and research reports. Also, we are gradually building up our asset management capability, and a team of seasoned asset management professionals has been recruited.

The application for a financial service licence to conduct securities and futures trading and brokerage business in Macau is in the final stage and documents in support of the application have been submitted to the Monetary Authority of Macau on several occasions.

Property and Other Investments

During the period, turnover and segment profit of the property and other investments segment was HK\$2.1 million (2003: HK\$2.5 million) and HK\$59.2 million (2003: HK\$5.3 million) respectively. The decline in turnover is mainly due to reduced property rentals.

In line with the Group's strategy in focusing its core businesses, the Group has disposed of Art Court at a consideration of HK\$83 million. A profit of HK\$57 million was recorded.

Liquidity and Capital Resources

As at 30th June 2004, cash available to the Group was approximately HK\$166 million, HK\$23 million higher than the balance at 31st December 2003. Gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, is 0.17 time as at 30th June 2004 (31st December 2003: Nil). The Group adopts a prudent treasury policy. The majority of the bank balances and cash is denominated in Hong Kong dollars and placed on short term deposits. It is the management's intention to maintain a minimum exposure to foreign exchange risks.

The Group has obtained banking facilities of HK\$149.8 million from various banks. Interest rates for such facilities range from Hong Kong Interbank Offer Rate plus 1.05% to Prime Rate. Banking facilities for HK\$30 million were secured by margin clients' listed securities, and banking facilities for HK\$49.8 million were secured by pledge of Group assets worth HK\$77 million. As at 30th June 2004, the Group had utilized approximately HK\$10 million and HK\$58.2 million of its secured and unsecured banking facilities. During the first half of 2004, the Group has issued convertible notes for the sum of HK\$45 million in acquiring shareholders' loans relating to Mocha. The convertible notes carry interest at 4% per annum. One half of the total amount of the notes (i.e. HK\$22.5 million) is repayable in full on 30 June 2005, and the other half is fully repayable on 30 June 2006.

Employees

As at 30th June 2004, the Group employed a total of 665 employees, of which 416 and 240 are stationed in Hong Kong and Macau while the rest are stationed in PRC. Staff costs (including directors' emoluments), for the first six months amounted to HK\$50.1 million (2003 – HK\$33.2 million). Employees are appointed and promoted according to their suitability for the positions. Employees' salaries and related benefits are performance based and subject to review by Management annually. In addition, the Group operates share option schemes, under which options are granted to employees to recognize their contributions and to retain them. Details of share options granted to employees are set out in section "Information of Share Option Scheme" below.

Events subsequent to 30th June 2004

Leisure and Entertainment

On 8th September 2004, the Group entered into an agreement with Sociedade de Turismo e Diversões de Macau, S.A.R.L ("STDM"), pursuant to which the Company will establish a joint venture company with STDM to apply for concession of a parcel of land in Taipa, Macau, and to develop that land into Macau's first ever six-star hotel and entertainment complex with (pending government approval) one of the largest casino and electronic gaming machine areas to date. The Group's initial outlay for this project is HK\$100 million. This amount will be satisfied by the Company's issuing a 5-year convertible bond to STDM bearing a coupon of 4% per annum from 1st March, 2005 payable every six months. The conversion

price is HK\$4 per share exercisable after 3 years from the date of issue of the bond. If exercised in full, STDM will hold about 6.2% of the Company's enlarged issued share capital. The transaction is subject to independent shareholders' approval for which an extraordinary general meeting of the Company will be held later. By undertaking this project (which is scheduled to be completed in 2006), the Group can (subject to approval of the Macau government authorities) participate in developing and owning a six-star hotel with a casino and an electronic gaming machine hall, which will be managed by Mocha. This will drastically expand the scope and size of the Group's leisure and entertainment business in Macau and will significantly increase the Group's turnover and profit.

Technology

On 30th July 2004, one of the Group's subsidiaries, Elixir Group Limited ("EGL") entered into four agreements with Sociedade de Jogos de Macau, S.A. ("SJM") under which EGL will provide gaming IT infrastructure system integration and maintenance services in respect of digital surveillance camera system, finger print access control system, facial recognition system and electronic gaming machines to SJM. The total value of the agreements is approximately HK\$32.3 million. The transactions have been approved by independent shareholders of the Company. In addition to generating income for the Group, the transactions would help promote Elixir's products and services to customers in gaming and entertainment industries in Macau.

Investment Banking

On 31st August 2004, a unit of our investment banking arm, Value Convergence, and an indirect subsidiary of the Group, VC Brokerage Limited ("VC Brokerage") entered into a loan agreement with CV Capital Partners Limited ("the Borrower") whereby VC Brokerage agreed to make available to the Borrower a term loan facility of up to HK\$70 million for the purposes of assisting the Borrower and certain other parties to acquire approximately 70% of a listed company by agreement and the remaining 30% shareholding through a General Offer. The loan is made in VC Brokerage's ordinary course of business and is secured by adequate security. The loan has attractive returns and is for a term of 12 months after date of first drawdown.

Outlook

With the Closer Economic Partnership Arrangement (CEPA) and the Facilitated Individual Travel (FIT) program beginning to show positive impacts, we believe the Macau economy is absolutely booming, especially in the leisure and entertainment industry, and the Hong Kong economy is finally coming out from its lowest point.

The Group's various business segments are well positioned to take advantage of the economic upturns. The acquisition of Mocha gives the Group entry to the booming Macau gaming business and an important and significant source of revenue. The Group is planning to expand this line of business and has been discussing with Macau casino operators on opening of more Mocha Slot lounges in Macau. Apart from widening the revenue stream of this unit, this strategy also helps the Group's Elixir unit, as Elixir will increase its sale of electronic gaming machines and systems as well as CCTV surveillance systems. In turn, Mocha's leasing of gaming machines business is well supported by Elixir.

The recently announced joint venture with STDM, whereby the Group will develop Macau's first ever six-star hotel and entertainment complex with (pending government approval) one of the largest casino and electronic gaming machine areas, is another exciting project that the Group will engage in. It allows the Group to fully participate and compete in the burgeoning leisure and entertainment industry in Macau. When completed in 2006, it will drastically expand the scope and size of the Group's leisure and entertainment business in Macau and becomes the Group's anchor project. The Group expects substantial income from the hotel and casino operations, which will contribute significantly to our Group's turnover and profit.

The revamped "Jumbo Kingdom" is anticipated to benefit from improved economy and increased number of tourists visiting Hong Kong. Regarding our other business, we are optimistic that our investment banking, financial services and technology businesses will take advantage of improved market sentiments and recovering economies, will expand their service scopes and market coverage and will continue to support our core business of leisure and entertainment business in Macau.

Lastly, we are confident that our core business in Macau and our leisure and entertainment business will drive our Group's business to new height and tremendous growth.

By Order of the Board

Dr Stanley Ho

Chairman

Hong Kong, 15th September 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

		Unaudited Six months ended 30th June	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover	2	210,865	58,377
Other revenues		4,638	5,223
Cost of inventories sold		(86,312)	(5,629)
Staff costs		(50,108)	(33,223)
Depreciation of fixed assets	7	(5,943)	(7,536)
Amortisation of intangible assets	7	(3,274)	(1,725)
Commission expense		(27,161)	(5,795)
Gain on disposal of investment properties		57,175	—
Other operating expenses		(36,676)	(30,097)
		<u>(152,299)</u>	<u>(84,005)</u>
Operating profit/(loss)	3	63,204	(20,405)
Finance costs		<u>(1,235)</u>	<u>(344)</u>
Profit/(loss) before taxation		61,969	(20,749)
Taxation credit	4	<u>814</u>	<u>—</u>
Profit/(loss) after taxation		62,783	(20,749)
Minority interests		<u>(2,689)</u>	<u>5,866</u>
Net profit/(loss) attributable to shareholders		<u>60,094</u>	<u>(14,883)</u>
Basic earnings/(loss) per share	5	<u>HK24.84 cents</u>	<u>(HK10.24 cents)</u>
Fully diluted earnings/(loss) per share	5	<u>HK24.09 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2004

		Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
	Note		
Non-current assets			
Fixed assets	7	183,726	187,916
Investment securities		20,637	20,637
Intangible assets	7	389,860	22,998
Other non-current assets		4,402	9,065
Current assets			
Inventories		2,085	4,137
Trade receivables	8	327,096	236,390
Prepayments, deposits and other receivables		21,667	9,966
Other investments		44,813	40,638
Bank balances and cash		165,814	142,771
		<u>561,475</u>	<u>433,902</u>
Current liabilities			
Trade payables	9	86,492	108,470
Accrued liabilities and other payables		28,780	41,643
Taxation payable		735	—
Deferred tax liabilities	4	262	324
Loan from a minority shareholder of a subsidiary	10	24,636	—
Bank loans and overdrafts		68,158	—
Convertible notes due within one year	11	22,500	—
		<u>231,563</u>	<u>150,437</u>
Net current assets		<u>329,912</u>	<u>283,465</u>
Total assets less current liabilities		<u>928,537</u>	<u>524,081</u>
Financed by:			
Share capital	12	377,366	221,997
Reserves		453,625	238,725
Shareholders' funds		830,991	460,722
Minority interests		75,046	62,952
Non-current liabilities			
Rental deposits due after one year		—	407
Convertible notes due after one year	11	22,500	—
		<u>928,537</u>	<u>524,081</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1st January 2004	221,997	49,677	82,948	357,785	(251,685)	460,722
Profit for the period	-	-	-	-	60,094	60,094
Realisation of investment properties revaluation reserve upon disposal of investment properties	-	-	(56,175)	-	-	(56,175)
Issuance of shares	153,478	211,033	-	-	-	364,511
Share issuance expenses	-	(60)	-	-	-	(60)
Exercise of share option	1,891	8	-	-	-	1,899
At 30th June 2004	<u>377,366</u>	<u>260,658</u>	<u>26,773</u>	<u>357,785</u>	<u>(191,591)</u>	<u>830,991</u>

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1st January 2003	145,287	19,189	79,214	357,785	(225,351)	376,124
Loss for the period	-	-	-	-	(14,883)	(14,883)
At 30th June 2003	<u>145,287</u>	<u>19,189</u>	<u>79,214</u>	<u>357,785</u>	<u>(240,234)</u>	<u>361,241</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(125,699)	(34,591)
Net cash generated from/(used in) investing activities	79,900	(334)
Net cash generated from/(used in) financing activities	68,842	(62,301)
Increase/(decrease) in cash and cash equivalents	23,043	(97,226)
Cash and cash equivalents at 1st January	142,771	219,229
Cash and cash equivalents at 30th June	165,814	122,003

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

These condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. Segment information

The Group's business can be principally segregated into four segments during this interim period:–

The leisure and entertainment segment, which mainly comprises (a) Mocha - leasing of electronic gaming machines and provision of management services to casino operators in Macau; and (b) Jumbo - restaurant operations.

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

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

The property and other investments segment, which mainly comprises property investments, other investments and related activities. One of the investment properties of this segment was disposed of during the period at a gain of approximately HK\$57 million.

An analysis of the Group's revenue and results for the period by business segment is as follows:

Six months ended 30th June 2004					
	Leisure and entertainment HK\$'000	Technology HK\$'000	Investment banking and financial services HK\$'000	Property and other investments HK\$'000	Group HK\$'000
Revenues					
Segment turnover	37,741	105,961	65,292	2,096	211,090
Intersegment sales	(38)	(187)	–	–	(225)
	<u>37,703</u>	<u>105,774</u>	<u>65,292</u>	<u>2,096</u>	<u>210,865</u>
Segment results	<u>(5,228)</u>	<u>9,046</u>	<u>9,017</u>	<u>59,180</u>	72,015
Unallocated costs					<u>(8,811)</u>
Operating profit					63,204
Finance costs					<u>(1,235)</u>
Profit before taxation					61,969
Taxation credit					<u>814</u>
Profit after taxation					62,783
Minority interests					<u>(2,689)</u>
Net profit attributable to shareholders					<u>60,094</u>

Six months ended 30th June 2003

	Leisure and entertainment HK\$'000	Technology HK\$'000	Investment banking and financial services HK\$'000	Property and other investments HK\$'000	Group HK\$'000
Revenues					
Segment turnover	<u>25,127</u>	<u>10,047</u>	<u>20,693</u>	<u>2,510</u>	<u>58,377</u>
Segment results	<u>(7,126)</u>	<u>(7,515)</u>	<u>(5,922)</u>	<u>5,317</u>	<u>(15,246)</u>
Unallocated costs					<u>(5,159)</u>
Operating profit					<u>(20,405)</u>
Finance costs					<u>(344)</u>
Loss before taxation					<u>(20,749)</u>
Taxation					<u>–</u>
Minority interests					<u>5,866</u>
Net loss attributable to shareholders					<u>(14,883)</u>

Unallocated costs represent corporate expenses.

3. Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Crediting:		
Write-back of over-provision for long service payment obligation	–	629
Gain on disposal of fixed assets:		
– investment properties	57,175	–
– other fixed assets	<u>1,526</u>	<u>–</u>
Charging:		
Loss on disposal of fixed assets	<u>–</u>	<u>317</u>

4. Taxation and deferred taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. 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 credited to the consolidated profit and loss account represents:

	Six months ended	
	30th June	
	2004	2003
	HK\$'000	HK\$'000
Current taxation:		
– Provision for overseas taxation	(129)	–
– Over-provision of Hong Kong taxation in prior years	619	–
Deferred taxation relating to the origination and reversal of timing differences	324	–
Taxation credit	814	–

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

	Six months ended	
	30th June	
	2004	2003
	HK\$'000	HK\$'000
Profit/(loss) before taxation	61,969	(20,749)
Calculated at a taxation rate of 17.5%	(10,845)	3,631
Effect of different taxation rates in Macau	206	–
Expenses not deductible for taxation purposes	(529)	(265)
Income not assessable for taxation purposes	12,112	141
Over-provision of current taxation in prior years	619	–
Utilisation of previously unrecognised tax losses	2,842	71
Unrecognised deferred tax assets arising from estimated tax losses	(3,591)	(3,578)
Taxation credit	814	–

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

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

	Six months ended	
	30th June	Year ended
	2004	2003
	HK\$'000	HK\$'000
As at 1st January	324	—
Acquisition of subsidiary	262	—
(Credited)/charged to profit and loss account	(324)	324
	<u>262</u>	<u>324</u>

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

	As at	As at
	30th June	31st December
	2004	2003
	HK\$'000	HK\$'000
Accelerated depreciation allowances	2,982	3,147
Tax losses	(78,850)	(78,101)
	<u>(75,868)</u>	<u>(74,954)</u>

The tax losses of the Group as at 30th June 2004 and 31st December 2003 were available for carry forward but subject to the approval of the Inland Revenue Department of Hong Kong and the tax bureau in Macau. These tax losses have no expiry date.

5. Earnings/(loss) per share

The calculations of basic earnings/(loss) per share are based on (i) the Group's net profit attributable to shareholders of approximately HK\$60,094,000 (2003: net loss of approximately HK\$14,883,000); and (ii) 241,921,542 (2003: 145,287,134) weighted average ordinary shares in issue during the period.

The calculations of diluted earnings per share for the six months ended 30th June 2004 are based on (i) the adjusted net profit attributable to shareholders of approximately HK\$60,184,000 which is the net profit attributable to the shareholders for the period adjusted for interest expense of approximately HK\$90,000; and (ii) 249,800,077 ordinary shares, being the 241,921,542 weighted average ordinary shares in issue during the period plus the weighted average number of 6,699,262 ordinary shares deemed to be issued at no consideration if all outstanding options with dilutive effect on the basic earnings/(loss) per share had been exercised and the weighted average number of 1,179,273 ordinary shares deemed to be issued if all the convertible notes have been converted into ordinary shares since their issuance. The diluted loss per share for the period ended 30th June 2003 has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to basic loss per share.

6. Interim dividend

The directors declared an interim dividend of 1 HK cent per ordinary share (2003: nil) totalling HK\$3.77 million for the period. The declared dividend is not reflected as a dividend payable in the accounts for the period.

7. Capital expenditure

	Goodwill	Trading rights	Total intangible assets	Investment properties	Construction-in-progress	Other fixed assets	Total fixed assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount as at 1st January 2004	19,705	3,293	22,998	159,000	-	28,916	187,916
Acquisition of Mocha Slot Group Limited ("Mocha Slot") (note 13(a))	361,427	-	361,427	-	-	64,449	64,449
Goodwill arising from acquisition of the technology segment (note 13(b))	8,709	-	8,709	-	-	-	-
Other additions	-	-	-	-	12,030	7,934	19,964
Disposals	-	-	-	(82,000)	-	(660)	(82,660)
Depreciation/amortisation charge	(3,021)	(253)	(3,274)	-	-	(5,943)	(5,943)
Closing net book amount as at 30th June 2004	<u>386,820</u>	<u>3,040</u>	<u>389,860</u>	<u>77,000</u>	<u>12,030</u>	<u>94,696</u>	<u>183,726</u>

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 subsidiaries at the date of acquisition. The goodwill is included in intangible assets and is amortised using the straight-line method over its estimated useful life ranging from 10 years to 20 years.

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 the HKFE following merger of HKSE and HKFE and their respective clearing houses in March 2000 and subsequent listing of HKSE. Trading rights are amortised over their estimated useful lives of 10 years.

8. Trade receivables

Included in trade receivables are trade debtors and their ageing analysis is as follows:

	Within 30 days HK\$'000	31 to 90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30th June 2004	<u>305,564</u>	<u>15,183</u>	<u>13,183</u>	333,930
Provision for doubtful debts				<u>(6,834)</u>
				<u>327,096</u>
Balance at 31st December 2003	<u>233,123</u>	<u>3,312</u>	<u>6,288</u>	242,723
Provision for doubtful debts				<u>(6,333)</u>
				<u>236,390</u>

- (a) The Group's leisure and entertainment segment and the property and other investment segment are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30-60 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 30th June 2004 amounted to approximately HK\$281,004,000 (31st December 2003: HK\$235,922,000). 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 will generally grant a normal credit period of 30 days on average to its customers.

9. Trade payables

Included in trade payables are trade creditors and their ageing analysis is as follows:

	Within 30 days HK\$'000	31 to 90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30th June 2004	<u>76,316</u>	<u>6,132</u>	<u>4,044</u>	<u>86,492</u>
Balance at 31st December 2003	<u>104,658</u>	<u>3,416</u>	<u>396</u>	<u>108,470</u>

10. Loan from a minority shareholder of a subsidiary

The loan from a minority shareholder of a subsidiary is unsecured, interest bearing at 4% per annum and repayable on demand. The balance was subsequently settled on 7th July 2004.

11. Convertible notes

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Convertible note due 30th June 2005 ("2005 Convertible Note") at par	22,500	—
Convertible note due 30th June 2006 ("2006 Convertible Note") at par	22,500	—
	<u>45,000</u>	<u>—</u>

On 9th June 2004 ("Date of Issuance"), the Company issued at par the 2005 Convertible Note and 2006 Convertible Note with principal amount of HK\$22,500,000 and HK\$22,500,000 respectively, which are interest-bearing at 4% per annum. The convertible notes were issued to partially replace the shareholders' loans of Mocha Slot acquired by the Company during the period.

The 2005 Convertible Note and 2006 Convertible Note are convertible into fully paid ordinary shares of HK\$1 each of the Company at an initial conversion price of HK\$2.3 per share since the Date of Issuance until, and including, the day immediately before 30th June 2005 and 30th June 2006 respectively. As at 30th June 2004, none of the convertible notes had been converted into the ordinary shares of the Company.

12. Share capital

	Authorised Ordinary shares of HK\$1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1st January 2003 and 2004	480,000,000	480,000
Increase in authorised ordinary share capital (<i>note a</i>)	220,000,000	220,000
At 30th June 2004	700,000,000	700,000

	Issued and fully paid Ordinary shares of HK\$1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1st January 2003	145,287,134	145,287
Issue of right shares	72,643,567	72,644
Exercise of share options	4,066,306	4,066
At 31st December 2003	221,997,007	221,997
Issue of shares (<i>note b</i>)	153,478,261	153,478
Exercise of share options	1,891,306	1,891
At 30th June 2004	377,366,574	377,366

- (a) By a special resolution passed on 20th May 2004, the authorised ordinary share capital of the Company was increased from HK\$480,000,000 to HK\$700,000,000 by the creation of an additional 220,000,000 authorised ordinary shares of HK\$1 each.
- (b) On 9th June 2004, 153,478,261 ordinary shares of HK\$1 each were issued at a premium of HK\$1.375 each as the purchase consideration for the acquisition of Mocha Slot during the period (see Note 13(a) for details).

13. Acquisitions

- (a) On 9th June 2004, the Group completed the acquisition of 80% of the issued share capital of Mocha Slot which is engaged in the leasing of gaming machines and provision of related management services to casino operators in Macau. The purchase consideration was settled by issuance of new shares of the Company (Note 12(b)). The fair value of the net identifiable assets of Mocha Slot at the date of acquisition was approximately HK\$4,737,000. Direct costs related to the acquisition amounted to approximately HK\$706,000 and were fully settled in cash. The resulting goodwill of approximately HK\$361,427,000 is amortised on a straight-line basis of 10 years.

The fair value of the assets and liabilities arising from the acquisition of Mocha Slot are as follows:

	<i>HK\$'000</i>
Fixed assets (<i>note 7</i>)	64,449
Accounts receivables	5,832
Bank balances and cash	10,971
Other current assets	7,569
Shareholders' loans	(69,556)
Deferred tax liabilities	(262)
Other current liabilities	(14,266)
	<hr/>
Fair value of net identifiable assets acquired	4,737
Minority interests	(947)
	<hr/>
The Company's share of the fair value of net identifiable assets acquired	3,790
	<hr/>
Purchase consideration – settled by issuance of new shares	364,511
Direct costs related to the acquisition – settled by cash	706
	<hr/>
Total costs of acquisition	365,217
Less: the Company's share of the fair value of net identifiable assets acquired	3,790
	<hr/>
Goodwill arising from acquisition of Mocha Slot	361,427
	<hr/>
Payment of direct costs related to the acquisition	(706)
Bank balance and cash acquired	10,971
	<hr/>
Net cash inflow from acquisition of Mocha Slot	10,265
	<hr/>

- (b) On 31st May 2004, the Company completed the acquisition of the subsidiaries comprising the technology segment from Value Convergence and on 1st June 2004, the acquisition of an additional 10% equity interest in EGL from Mr. Gordon Lee and Mr. Leong Van Tat in aggregate consideration of HK\$28,227,000. Goodwill arising from these acquisitions, which comprised Value Convergence's minority shareholders' entitlement to the gain on disposal of the companies comprising the technology segment by Value Convergence and the direct costs related to the acquisitions, amounted to approximately HK\$8,709,000 and is amortised on a straight-line basis of 20 years.

14. Capital commitments

At 30th June 2004, the Group had contracted commitments in respect of renovation project as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Contracted but not provided for	<u>6,092</u>	<u>4,547</u>

15. 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 as at 30th June 2004 include amounts due from related companies in relation to sales of computer hardware and software to related companies of approximately HK\$31,535,000 (31st December 2003: HK\$1,808,000).
- (b) The prepayments, deposits and other receivables as at 30th June 2004 include amounts due from customers on contracts in relation to sales of computer hardware and software to related companies of approximately HK\$1,414,000 (31st December 2003: HK\$1,702,000).
- (c) The accruals and other payables as at 30th June 2004 include deposits received from related companies in relation to sales of computer hardware and software of approximately HK\$202,000 (31st December 2003: HK\$10,180,000).

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

		Six months ended	
		30th June	30th June
		2004	2003
	<i>Note</i>	HK\$'000	HK\$'000
Catering income earned from directors and related companies	(i)	1,414	679
Insurance premiums charged by a related company	(ii)	796	453
Property management fees charged by a related company	(iii)	250	204
Brokerage commission income earned from certain directors of the Group or their relatives	(iv)	160	—
Sales of computer hardware and software to related companies	(v)	89,935	—

Notes:

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

16. Events subsequent to the balance sheet date

Please refer to page 5 of this report for the details of significant events subsequent to 30th June 2004.

DISCLOSURE OF INTERESTS

Directors' interests

As at 30th June 2004, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be

notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Nature of interest	Number of issued shares of the Company interested	Number of underlying shares of the Company interested	Approximate percentage of the total number of issued shares (Note 1)
Dr. Stanley Ho	Corporate	2,377,500 (Note 2)	–	0.63%
	Personal	12,646,367	–	3.35%
Mr. Lawrence Ho	Corporate	182,455,599 (Note 3)	–	48.35%
	Corporate	–	19,565,216 (Note 4)	5.18%
	Personal	1,816,306	–	0.48%

Notes:

- As at 30th June 2004, the total number of issued shares of the Company is 377,366,574.
- Dr. Stanley Ho is taken to be interested in 2,377,500 shares of the Company as a result of him being beneficially interested in the entire issued share capital of each of Sharikat Investments Ltd. and Dareset Ltd. which in turn hold an aggregate of approximately 0.63% of the issued share capital of the Company. Apart from that, Dr. Stanley Ho personally holds 12,646,367 shares of the Company.
- Mr. Lawrence Ho is taken to be interested in 57,754,512 shares of the Company as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 15.30% of the issued share capital of the Company. He is also taken to be interested in 124,701,087 shares of the Company as a result of him being interested in 77% of issued share capital of Better Joy Overseas Ltd. ("Better Joy") which in turn holds approximately 33.05% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If their indirect shareholding interests in the Company's shares through Better Joy are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 11.58% and 41.23% of the Company's shares.

4. Two convertible notes respectively due 2005 and 2006 were issued by the Company to Better Joy on 9 June 2004 pursuant to the Mocha Acquisition Agreements as disclosed in the announcement and the circular of the Company respectively dated 19th March 2004 and 23rd April 2004. As at 30th June 2004, the total outstanding principal amount of the said convertible notes is HK\$45 million. If Better Joy exercises the conversion rights attached to the said convertible notes in full at the conversion price of HK\$2.30 per share, a total of 19,565,216 shares of the Company will be issued to Better Joy. As Mr. Lawrence Ho is beneficially interested in 77% of issued share capital of Better Joy, he is deemed to be interested in these 19,565,216 underlying shares.

As mentioned above, Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If this is taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 4,500,000 underlying shares and 15,065,216 underlying shares of the Company.

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

Name of director	Date of grant	Expiry date	Exercise price (HK\$)	Number of underlying shares comprised in the options outstanding
Mr. Lawrence Ho	19th February 2004	7th March 2012	2.405	1,800,000
Mr. Frank Tsui	8th March 2002	7th March 2012	1.00	1,816,306
	19th February 2004	7th March 2012	2.405	1,800,000
Mr. Ho Cheuk Yuet	8th March 2002	7th March 2012	1.00	1,816,306

(iii) *Interests in shares of Value Convergence*

Name of director	Nature of interest	Number of issued shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Corporate	7,384,651 (Note 1)	3.10%
Mr. Lawrence Ho	Corporate	4,232,627 (Note 2)	1.78%

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.

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

Name of director	Nature of interest	Number of underlying shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Personal	735,000 (Note 1)	0.31%
Mr. Lawrence Ho	Personal	1,226,057 (Note 2)	0.51%

Notes:

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

Save as disclosed above, as at 30th June 2004, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Main Board Listing Rules to be notified to the Company and the Stock Exchange.

Shareholders with Notifiable Interests

As at 30th June 2004, the interests and short positions of substantial shareholders of the Company and other persons in the shares, underlying shares and debentures of the Company which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein; or (c) were directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Nature of interest	Number of issued shares interested	Number of underlying shares interested	Approximate percentage of the total number of issued shares (Note 1)
Better Joy Overseas Ltd.	Corporate	124,701,087 (Note 2)	–	33.05%
	Corporate	–	19,565,216 (Note 2 & 4)	5.18%
Lasting Legend Ltd.	Corporate	57,754,512 (Note 2)	–	15.30%
Mr. Lawrence Ho	Corporate	182,455,599 (Note 3)	–	48.35%
	Corporate	–	19,565,216 (Note 4)	5.18%
	Personal	1,816,306	–	0.48%
Shun Tak Shipping Company Limited	Corporate	39,083,147	–	10.36%

Notes:

1. As at 30th June 2004, the total number of issued shares of the Company is 377,366,574 Shares
2. The shares (and underlying shares) held by Better Joy and Lasting Legend Ltd. also represent the corporate interest of Mr. Lawrence Ho in the Company.
3. Mr. Lawrence Ho is taken to be interested in 57,754,512 shares of the Company as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 15.30% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 124,701,087 shares of the Company as a result of him being beneficially interested in 77% of issued share capital of Better Joy which in turn holds approximately 33.05% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If their indirect shareholding interests in the shares of the Company through Better Joy are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 11.58% and 41.23% of the Shares.

4. Two convertible notes respectively due 2005 and 2006 were issued by the Company to Better Joy on 9th June 2004 pursuant to the Mocha Acquisition Agreements as disclosed in the announcement and the circular of the Company respectively dated 19th March 2004 and 23rd April 2004. As at 30th June 2004, the total outstanding principal amount of the said convertible notes is HK\$45 million. If Better Joy exercises the conversion rights attached to the said convertible notes in full at the conversion price of HK\$2.30 per share, a total of 19,565,216 shares of the Company will be issued to Better Joy. As Mr. Lawrence Ho is beneficially interested in 77% of issued share capital of Better Joy, he is deemed to be interested in these 19,565,216 underlying shares.

As mentioned above, Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If this is taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 4,500,000 underlying shares and 15,065,216 underlying shares of the Company.

Save as disclosed herein, so far as the directors were aware, as at 30th June 2004, no other persons had interests or short positions in the shares, underlying shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, nor were there any other persons required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, or directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

INFORMATION OF SHARE OPTION SCHEME

The following share options were outstanding under the Scheme during the six months period ended 30th June 2004:

Number or category of participant	At 1st January 2004	Number of share options Granted during the period	Exercised during the period ⁽¹⁾	At 30th June 2004	Date of grant of share options ⁽²⁾	Exercise price of share options (HK\$) ⁽³⁾	Exercise period of share options
Directors							
Mr. Lawrence Ho	–	900,000	–	900,000	19 February 2004	2.405	19 February 2005 to 7 March 2012
	–	900,000	–	900,000	19 February 2004	2.405	19 February 2006 to 7 March 2012
	<u>–</u>	<u>1,800,000</u>	<u>–</u>	<u>1,800,000</u>			
Mr. Frank Tsui	1,816,306	–	–	1,816,306	8 March 2002	1.00	8 September 2002 to 7 March 2012
	–	900,000	–	900,000	19 February 2004	2.405	19 February 2005 to 7 March 2012
	–	900,000	–	900,000	19 February 2004	2.405	19 February 2006 to 7 March 2012
	<u>1,816,306</u>	<u>1,800,000</u>	<u>–</u>	<u>3,616,306</u>			
Mr. Ho Cheuk Yuet	1,816,306	–	–	1,816,306	8 March 2002	1.00	8 September 2002 to 7 March 2012
Mr. Peter So ⁽⁴⁾	1,816,306	–	1,816,306	–	8 March 2002	1.00	8 September 2002 to 7 March 2012
	<u>5,448,918</u>	<u>3,600,000</u>	<u>1,816,306</u>	<u>7,232,612</u>			
Sub-total							

Number or category of participant	At 1st January 2004	Number of share options Granted during the period	Exercised during the period ⁽¹⁾	At 30th June 2004	Date of grant of share options ⁽²⁾	Exercise price of share options (HK\$) ⁽³⁾	Exercise period of share options
Employees							
In aggregate	375,001	–	–	375,001	8 March 2002	1.00	8 March 2003 to 7 March 2012
	375,001	–	–	375,001	8 March 2002	1.00	8 March 2004 to 7 March 2012
	1,113,835	–	–	1,113,835	13 September 2002	1.1067	13 September 2002 to 7 March 2012
	1,113,835	–	–	1,113,835	13 September 2002	1.1067	13 March 2003 to 7 March 2012
	615,000	–	75,000	540,000	13 September 2002	1.1067	13 September 2003 to 7 March 2012
	615,000	–	–	615,000	13 September 2002	1.1067	13 September 2004 to 7 March 2012
	–	4,060,000	–	4,060,000	19 February 2004	2.405	19 February 2005 to 7 March 2012
	–	4,110,000	–	4,110,000	19 February 2004	2.405	19 February 2006 to 7 March 2012
Sub-total	<u>4,207,672</u>	<u>8,170,000</u>	<u>75,000</u>	<u>12,302,672</u>			
Others							
In aggregate	2,220,085	–	–	2,220,085	13 September 2002	1.1067	13 September 2003 to 7 March 2012
	2,220,087	–	–	2,220,087	13 September 2002	1.1067	13 September 2004 to 7 March 2012
	–	500,000	–	500,000	19 February 2004	2.405	19 February 2005 to 7 March 2012
	–	500,000	–	500,000	19 February 2004	2.405	19 February 2006 to 7 March 2012
Sub-total	<u>4,440,172</u>	<u>1,000,000</u>	<u>–</u>	<u>5,440,172</u>			
Total	<u>14,096,762</u>	<u>12,770,000</u>	<u>1,891,306</u>	<u>24,975,456</u>			

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE OF BEST PRACTICE

The Company's independent non-executive directors are not appointed for specific terms, as both those directors and the Company prefer to have their offices continued on an ongoing, without renewal basis. Save as aforesaid, in the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June 2004.

REVIEW BY AUDIT COMMITTEE

The 2004 interim report has been reviewed by the Audit Committee of the Company. Regular meetings have been held by the committee since its establishment. The Audit Committee meets at least twice every year.