

FINANCIAL REVIEW

Review of Results

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

Liquidity and Capital Resources

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

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

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

Employees

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

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

Investment Banking and Financial Services Division

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

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

Significant efforts were made to re-organize this division's business since the acquisition, to better serve clients. As a result, VC CEF Brokerage Limited and VC CEF Futures Limited now offer one-stop financial services to institutional, corporate, high net worth and private clients with a comprehensive range of products, including local and overseas securities dealing, securities margin financing, placement and sub-underwriting, securities borrowing and lending, short selling, futures and options trading, forex trading, derivatives trading, structured products and advisory services. In addition, a new team of seasoned research professionals has been hired to provide independent insightful research and analytic reports to clients to help them seize market opportunities.

In respect of the corporate finance advisory services, VC CEF Capital Limited has helped clients gain access to equity capital markets, mergers and acquisitions opportunities, debt financing arrangements and project finance solutions in the Greater China region. During the period, VC CEF Capital Limited handled one IPO for a client in the capacity of sole sponsor. It also participated in several IPO transactions in different capacities. The Group will continue to enhance the market profile of VC CEF Capital Limited through participating in more transactions. More professionals will be hired to implement the expansion strategies.

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

Technology Division

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

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

On top of the sales and licensing of the software solutions and provision of related services, during the six month period ended 30th June 2003, the Group had through its subsidiaries, namely Elixir Group Limited and Elixir Group (Macau) Limited ("Elixir Group"), offered clients in Hong Kong, Macau and the Pearl Delta Region full range of hardware systems that complement the Group's software products. These hardware systems range from entry-level workstations to enterprise-class servers and include a wide range of system integration services (for example, e-business solutions, office automation application, hosting and outsourcing service and related information technology consultancy services).

With a short lead time, the Elixir Group has formed strategic alliances with certain famous hardware suppliers and have secured certain prominent companies in Macau, e.g. Sociedade de Jogos de Macau, S.A., Companhia de Electricidade de Macau – CEM, S.A. and Seng Heng Bank Limited, as its clients. It is anticipated that the Group's technology business in Macau would become a major contributor of this division's revenue in the second half of 2003 and subsequent periods.

Fine-Dining, Leisure and Tourism Division

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

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

In view of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), the Group expects the number of tourists from mainland China would increase significantly. Hence, the Group is in the process of transforming its Jumbo and Tai-Pak floating restaurants

into a modern complex of fine-dining, shopping, sightseeing and cultural attraction to be named “Jumbo Kingdom”. With its strategic position, special design and architecture and worldwide reputation, “Jumbo Kingdom” is expected to become a more popular tourist, recreational and leisure spot after its rebirth.

Property Investment Division

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

Investment and Energy Division

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

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

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

EVENTS AFTER 30TH JUNE 2003

In August, 2003, VC CFN Corporation Limited, a subsidiary of the Group, submitted an application to the relevant Macau authority for a financial service licence to conduct securities and futures trading and brokerage business in Macau. In response to the authority’s request, further documents and information have been provided to the authority for assessment of the application.

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

FUTURE PROSPECTS

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

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

local individual travelers who have always been the major patrons of Jumbo. Local customers will also find “Jumbo Kingdom” a place to have fun and dine at, given the variety of attractions offered by the Group.

The Group will also increase its presence in China by establishing more offices. The Group is considering setting up offices in the key strategic cities of Beijing, Shanghai and Shenzhen. This will help promote the Group’s core businesses.

More resources will be committed in the investment banking and technology businesses of the Group. These businesses provide the backbone and a solid foundation for the geographical expansion of the Group. The Group has already established a solid foothold in the home base of Hong Kong. Parallel to the expansion into China, the Group has recently set up an office in Macau where the Group’s history goes a long way back. Indeed, the technology division has already established a recognised reputation in Macau through its subsidiary, Elixir Group Limited. Elixir has entered into contracts with some gaming companies to install intelligent surveillance systems and other technology solutions packages. It will continue to expand its services and coverage in the gaming industry and other commercial areas.

The Group’s application for a financial intermediary licence in Macau is underway. At this stage, it is not yet known when and/or whether such licence will be granted. If successful, it will be the first time the Macau government has ever granted such licence to a financial entity. With a licence, the Group will be in a unique position to provide investment banking services to companies in Macau. So far, this market is largely untapped. Through the Macau financial subsidiary, the Group will offer full-fledged financial services to investors and clients in Macau.

The Group sees the Macau office as an important milestone in completing the corporate development map for the Pearl River Delta Area, Macau and Hong Kong. Substantial resources will be set aside to implement this development strategy. With the Group’s historical link and unique position in Macau, it is expected that business opportunities will continue to emerge from this area.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the six months ended 30th June 2003*

		Unaudited Six months ended 30th June	
	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	58,377	44,325
Other revenues		5,223	48
Cost of food and beverages		(7,287)	(11,237)
Consumable stores used		(527)	(1,255)
Cost of sales of hardware solutions		(5,629)	–
Changes in work in progress		(116)	–
Staff costs		(33,223)	(24,531)
Depreciation of fixed assets	7	(7,536)	(2,958)
Amortisation of intangible assets	7	(1,725)	–
Commission expense		(5,795)	–
Other operating expenses		(22,167)	(12,509)
Total operating expenses		(84,005)	(52,490)
Operating loss	3	(20,405)	(8,117)
Finance costs		(344)	–
Loss before taxation		(20,749)	(8,117)
Taxation	4	–	–
Loss after taxation		(20,749)	(8,117)
Minority interests		5,866	829
Net loss attributable to shareholders		(14,883)	(7,288)
Basic loss per share	5	HK10.24 cents	HK6.02 cents
Fully diluted loss per share	5	HK10.23 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003

		Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
	Notes		
Non-current assets			
Investment properties	7	155,000	155,000
Fixed assets	7	35,262	22,326
Investment securities		21,837	–
Intangible assets	7	24,351	–
Other non-current assets		5,454	–
Current assets			
Inventories		2,324	2,986
Work in progress		286	–
Amounts due from related companies		4	2,407
Trade receivables	9	193,110	2,782
Prepayments, deposits and other receivables		8,531	8,939
Other investments		7,573	4,000
Pledged bank deposits	8	1,100	1,100
Bank balances and cash		122,003	219,229
		<u>334,931</u>	<u>241,443</u>
Current liabilities			
Trade payables	10	84,395	2,356
Accrued liabilities and other payables		21,683	15,230
Rental deposits due within one year		480	582
Bank loans and overdrafts		44,378	–
		<u>150,936</u>	<u>18,168</u>
Net current assets		<u>183,995</u>	<u>223,275</u>
Total assets less current liabilities		<u>425,899</u>	<u>400,601</u>
Financed by:			
Share capital	11	145,287	145,287
Reserves		215,954	230,837
Shareholders' funds		361,241	376,124
Minority interests		64,399	24,258
Non-current liabilities			
Rental deposits due after one year		259	219
		<u>425,899</u>	<u>400,601</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Unaudited Investment properties revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Acc- umulated deficits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Unaudited Investment properties revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Acc- umulated deficits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2002	121,087	8,738	76,614	357,785	(189,755)	374,469
Loss for the period	—	—	—	—	(7,288)	(7,288)
At 30th June 2002	<u>121,087</u>	<u>8,738</u>	<u>76,614</u>	<u>357,785</u>	<u>(197,043)</u>	<u>367,181</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June 2003*

	Unaudited Six months ended 30th June 2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash used in operating activities	(34,591)	(10,985)
Net cash (used in)/ generated from investing activities	(334)	848
Net cash used in financing activities	<u>(62,301)</u>	<u>—</u>
Decrease in cash and cash equivalents	(97,226)	(10,137)
Cash and cash equivalents at 1st January	<u>219,229</u>	<u>212,543</u>
Cash and cash equivalents at 30th June	<u>122,003</u>	<u>202,406</u>

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 Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 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 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

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. Management considers that the adoption of the revised SSAP 12 does not have significant impact to the accounts of the Group in the current and prior years.

2. SEGMENT INFORMATION

The Group is principally engaged in five main business segments:

The investment banking and financial services segment, which comprises securities brokerage, commodities trading and corporate finance business.

The technology segment, which includes customisation and selling of trading and back office systems and solutions to financial institutions and intermediaries.

The fine-dining, leisure and tourism segment, which currently comprises restaurant operation and related activities.

The property investment segment, which comprises property investment and related activities.

The investment and others segment, which comprises investment and related activities.

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

6 months ended 30th June 2003						
HK\$'000						
	Investment banking and financial services	Technology	Fine-dining, leisure and tourism	Property investment	Investment and others	Group
Revenues						
Turnover	<u>20,693</u>	<u>10,047</u>	<u>25,127</u>	<u>2,310</u>	<u>200</u>	<u>58,377</u>
Segment results	<u>(5,922)</u>	<u>(7,515)</u>	<u>(7,126)</u>	<u>1,416</u>	<u>3,901</u>	(15,246)
Unallocated costs						<u>(5,159)</u>
Operating loss						(20,405)
Finance costs						<u>(344)</u>
Loss before taxation						(20,749)
Taxation						–
Minority interests						<u>5,866</u>
Loss attributable to shareholders						<u>(14,883)</u>

6 months ended 30th June 2002				
HK\$'000				
	Fine-dining, leisure and tourism	Property Investment	Investment and others	Group
Revenues				
Turnover	<u>40,226</u>	<u>2,345</u>	<u>1,754</u>	<u>44,325</u>
Segment results	<u>(7,652)</u>	<u>1,706</u>	<u>1,753</u>	(4,193)
Unallocated costs				<u>(3,924)</u>
Operating loss				(8,117)
Finance costs				<u>—</u>
Loss before taxation				(8,117)
Taxation				—
Minority interests				<u>829</u>
Loss attributable to shareholders				<u>(7,288)</u>

Unallocated costs represent corporate expenses.

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

6 months ended 30th June		
	2003 HK\$'000	2002 HK\$'000
<u>Crediting</u>		
Write-back of over-provision for long service payment obligation	<u>629</u>	<u>—</u>
<u>Charging</u>		
Loss on disposal of fixed assets	<u>317</u>	<u>—</u>

4. TAXATION

No Hong Kong profits tax has been provided as the companies comprising the Group did not derive any assessable profits arising in Hong Kong during the period (2002: nil).

No provision for deferred taxation has been made in the accounts during the six months ended 30th June 2003 (2002: nil) as the Group has net potential deferred tax asset at the balance sheet date. The crystallisation of the deferred tax asset in the foreseeable future was uncertain.

5. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the Group's net loss attributable to shareholders of HK\$14,883,000 (2002: HK\$7,288,000).

The basic loss per share is based on 145,287,134 (2002: 121,087,134) ordinary shares in issue during the period. The diluted loss per share is based on 145,287,134 ordinary shares in issue during the period plus the weighted average number of 257,961 ordinary shares deemed to be issued at no consideration if all outstanding options with dilutive effect on the basic loss per share had been exercised.

A diluted loss per share amount for the period ended 30th June 2002 has not been disclosed as the share options outstanding during such period had an anti-dilutive effect on the basic loss per share for such period.

6. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June 2003 (2002: Nil).

7. CAPITAL EXPENDITURE

		Trading	Total	Investment	Fixed
	Goodwill	rights	intangible	properties	assets
	HK\$'000	HK\$'000	assets	HK\$'000	HK\$'000
Opening net book amount					
as at 1st January 2003	–	–	–	155,000	22,326
Additions through acquisition					
of Value Convergence					
Holdings Limited (Note 12)	21,721	3,757	25,478	–	18,477
Goodwill arising from					
acquisition of Value					
Convergence Holdings					
Limited (Note 12)	598	–	598	–	–
Other additions	–	–	–	–	2,870
Disposals	–	–	–	–	(875)
Depreciation/amortisation					
charge	(1,514)	(211)	(1,725)	–	(7,536)
Closing net book amount					
as at 30th June 2003	<u>20,805</u>	<u>3,546</u>	<u>24,351</u>	<u>155,000</u>	<u>35,262</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 subsidiary at the date of acquisition. The goodwill is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

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.

8. PLEDGED BANK DEPOSITS

As at 30th June 2003, the Group's bank deposits amounting to HK\$1,100,000 (31st December 2002: HK\$1,100,000) were pledged to secure a letter of guarantee to the extent of HK\$1,031,000 (31st December 2002: HK\$1,031,000) granted by a bank for the Group's water and electricity deposits.

9. TRADE RECEIVABLES

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

	Within 30 days <i>HK\$'000</i>	31 to 90 days <i>HK\$'000</i>	Over 90 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30th June 2003	<u>187,362</u>	<u>1,205</u>	<u>9,423</u>	197,990
Provision for doubtful debts				<u>(4,880)</u>
				<u>193,110</u>
Balance at 31st December 2002 (Note 15)	<u>1,770</u>	<u>983</u>	<u>29</u>	<u>2,782</u>

The Group's fine-dining, leisure and tourism and property investment segments are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms are granted. The Group generally allows normal terms of credit of 30 to 60 days to its well-established customers.

The Group's trade receivables for technology and investment banking and financial services segments are due immediately from date of billing. For the trade receivables for technology segment, the Group will generally grant a normal credit period of 30 days on average to its customers.

Certain companies in the Group maintain trust accounts with HKFE Clearing Corporation Limited ("HKFECC") for their clients as a result of their normal business transactions. As at 30th June 2003, trust accounts with HKFECC not otherwise dealt with in the accounts amounted to approximately HK\$7,181,000 (31st December 2002: nil).

10. TRADE PAYABLES

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

	Within 30 days <i>HK\$'000</i>	31 to 90 days <i>HK\$'000</i>	Over 90 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30th June 2003	<u>84,094</u>	<u>104</u>	<u>197</u>	<u>84,395</u>
Balance at 31st December 2002 (Note 15)	<u>2,356</u>	<u>–</u>	<u>–</u>	<u>2,356</u>

11. SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	No. of shares	<i>HK\$'000</i>
At 1st January 2003 and 30th June 2003	<u>480,000,000</u>	<u>480,000</u>
	Issued and fully paid Ordinary shares of HK\$1 each	
	No. of shares	<i>HK\$'000</i>
At 1st January 2003 and 30th June 2003	<u>145,287,134</u>	<u>145,287</u>

12. ACQUISITION

On 5th February 2003, the Group acquired 70.51% equity interests in Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) ("VC") through underwriting of the rights shares issued by VC at HK\$0.1 per rights share. On 3rd March 2003, the Group disposed of 2.94% equity interests in VC to an independent third party. As at 30th June 2003, the Group held 67.57% equity interests in VC.

The total consideration for the underwriting of the rights shares of VC was approximately HK\$100,758,000 and was settled in cash. The fair value of the acquired net identifiable assets at the date of acquisition was approximately HK\$142,045,000, resulting in a goodwill of approximately HK\$598,000. The acquired business contributed turnover of approximately HK\$30,740,000 and operating loss of approximately \$13,437,000 to the Group for the period from 5th February 2003 to 30th June 2003.

The assets and liabilities arising from the acquisition are as follows:

	<i>HK\$'000</i>
Fixed assets (<i>Note 7</i>)	18,477
Intangible assets (<i>Note 7</i>)	25,478
Other non-current assets	6,535
Accounts receivables	110,120
Bank balances and cash	122,900
Other current assets	8,167
Interest– bearing bank borrowings	(106,335)
Other current liabilities	(43,297)
	<hr/>
Fair value of net identifiable assets acquired	142,045
Minority interest	(41,885)
Goodwill (<i>Note 7</i>)	598
	<hr/>
Total purchase consideration	<u>100,758</u>
Total purchase consideration paid	(100,758)
Less: bank balance and cash acquired	<u>122,900</u>
	<hr/>
Net cash inflow from acquisition	<u><u>22,142</u></u>

13. RELATED PARTY TRANSACTIONS

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

		6 months ended 30th June	
		2003	2002
	Note	HK\$'000	HK\$'000
Catering income earned from directors and related companies	(a)	679	1,704
Insurance premiums charged by a related company	(b)	453	396
Property management fees charged by a related company	(c)	<u>204</u>	<u>194</u>

- (a) 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%.
- (b) 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 and Madam Winnie Ho Yuen Ki, a director and an ex-director of the Company, are also a director and an ex-director and/or have direct and/or indirect beneficial interests in STHL.
- (c) 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.

14. SUBSEQUENT EVENT

On 11th August 2003, the Directors announced that the Company proposed to raise approximately HK\$105.3 million before expenses by way of rights issue of not less than 72,643,566 rights shares and not more than 78,697,922 rights shares 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 major shareholders of the Company, representing about 50.1% of the existing issued share capital of the Company, has agreed to accept the rights shares to be provisionally allotted to them. Kim Eng Securities (Hong Kong) Limited, the underwriter, has agreed to underwrite the remaining rights shares to be issued.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

DISCLOSURE OF INTERESTS

Directors' interests

As at 30th June 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 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 of the Company

Name of director	Nature of interest	Notes	Number and approximate percentage of shares interested
Dr. Stanley Ho	Corporate	1	1,585,000 (1.09%)
	Personal	1	8,216,185 (5.66%)
	Family	1	214,727 (0.15%)
Mr. Lawrence Ho	Corporate	2	36,525,675 (25.14%)

Notes:—

1. Dr. Stanley Ho is taken to be interested in 1,585,000 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 1.09% of the issued share capital of the Company. Apart from that, Dr. Ho and his spouse personally hold 8,216,185 and 214,727 shares respectively.
2. Mr. Lawrence Ho is taken to be interested in 36,525,675 shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Limited which in turn holds approximately 25.14% of the issued share capital 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	8th March 2002	7th March 2012	1.38	1,210,871
Mr. Frank Tsui	8th March 2002	7th March 2012	1.38	1,210,871
Mr. Peter So	8th March 2002	7th March 2012	1.38	1,210,871
Mr. Ho Cheuk Yuet	8th March 2002	7th March 2012	1.38	1,210,871

(iii) Interests in shares of Value Convergence

Name of director	Nature of interests	Notes	Number and approximate percentage 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	305,772 (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 305,772 shares of Value Convergence.

(iv) Interests in equity derivatives of Value Convergence

Name of director	Nature of interests	Notes	Number and approximate percentage interested
Dr. Stanley Ho	Personal	1	735,000 (0.31%)
Mr. Lawrence Ho	Personal	2	1,226,057 (0.51%)
Mr. Frank Tsui	Personal	3	491,057 (0.21%)
Mr. Peter So	Personal	4	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 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.
3. The personal interest of Mr. Frank Tsui represents his derivative interest in Value Convergence comprising the 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.
4. 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.

Directors' right to acquire shares

Apart from as disclosed under the headings "Directors' interests" and "Information on share options" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses 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.

Shareholders with Notifiable Interests

As at 30th June 2003, 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	Number of Shares	Approximate percentage of the total issued share capital of the Company %
Lasting Legend Limited (<i>Note 1</i>)	36,525,675	25.14
Mr. Lawrence Ho	36,525,675	25.14
Shun Tak Shipping Company Limited	26,055,432	17.93
Mr. Li Chi Keung (<i>Note 2</i>)	10,342,505	7.12
Dr. Stanley Ho	10,015,912	6.89
Rich Talent Limited (<i>Note 3</i>)	9,340,000	6.43

Notes:

1. Mr. Lawrence Ho is taken to be interested in these shares by virtue of the fact that Lasting Legend Limited is wholly owned by Mr. Ho.
2. Mr. Li Chi Keung is taken to be interested in these shares by virtue of the fact that Rich Talent Limited is wholly owned by Mr. Li. The 10,342,505 shares are held as to 9,340,000 shares by Rich Talent Limited, as to 1,001,305 shares by Gold Future Nominees Limited and as to 1,200 shares by Ingold Limited. The said Rich Talent Limited, Gold Future Nominees Limited and Ingold Limited are companies wholly-owned and/or controlled by Mr. Li Chi Keung.
3. Rich Talent Limited is a company wholly owned by Mr. Li Chi Keung. The 9,340,000 shares held by Rich Talent Limited are included in the shares held by Mr. Li Chi Keung disclosed above, and are therefore duplicated between Rich Talent Limited and Mr. Li Chi Keung.

Save as disclosed herein, so far as the Directors were aware, as at 30th June 2003, 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 2003:

Name or category of participant	Number of share options			Date of grant of share options*	Share price of the Company at grant date **	Exercise price of share options***	Exercise period of share options
	At 1st January 2003	Granted during the period	At 30th June 2003#				
Directors							
Mr. Lawrence Ho	605,435	–	605,435	8 March 2002	HK\$1.23	HK\$1.38	8 September 2002 to 7 March 2012
	605,436	–	605,436	8 March 2002	HK\$1.23	HK\$1.38	8 March 2003 to 7 March 2012
	<u>1,210,871</u>	<u>–</u>	<u>1,210,871</u>				
Mr. Frank Tsui	1,210,871	–	1,210,871	8 March 2002	HK\$1.23	HK\$1.38	8 September 2002 to 7 March 2012
Mr. Peter So	1,210,871	–	1,210,871	8 March 2002	HK\$1.23	HK\$1.38	8 September 2002 to 7 March 2012
Mr. Ho Cheuk Yuet	1,210,871	–	1,210,871	8 March 2002	HK\$1.23	HK\$1.38	8 September 2002 to 7 March 2012
	<u>4,843,484</u>	<u>–</u>	<u>4,843,484</u>				
Employees							
In aggregate	250,000	–	250,000	8 March 2002	HK\$1.23	HK\$1.38	8 March 2003 to 7 March 2012
	250,000	–	250,000	8 March 2002	HK\$1.23	HK\$1.38	8 March 2004 to 7 March 2012
	1,492,557	–	1,492,557	13 September 2002	HK\$1.66	HK\$1.66	13 September 2002 to 7 March 2012
	1,492,557	–	1,492,557	13 September 2002	HK\$1.66	HK\$1.66	13 March 2003 to 7 March 2012
	410,000	–	410,000	13 September 2002	HK\$1.66	HK\$1.66	13 September 2003 to 7 March 2012
	410,000	–	410,000	13 September 2002	HK\$1.66	HK\$1.66	13 September 2004 to 7 March 2012
	<u>4,305,114</u>	<u>–</u>	<u>4,305,114</u>				
Sub-total	<u>4,305,114</u>	<u>–</u>	<u>4,305,114</u>				
Others							
In aggregate	1,480,057	–	1,480,057	13 September 2002	HK\$1.66	HK\$1.66	13 September 2003 to 7 March 2012
	1,480,058	–	1,480,058	13 September 2002	HK\$1.66	HK\$1.66	13 September 2004 to 7 March 2012
	<u>2,960,115</u>	<u>–</u>	<u>2,960,115</u>				
Sub-total	<u>2,960,115</u>	<u>–</u>	<u>2,960,115</u>				
Total	12,108,713	–	12,108,713				

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- *** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- # No Share option has been exercised, lapsed or cancelled during the period.

At 30th June 2003, the Company had 12,108,713 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 12,108,713 additional ordinary shares of the Company and additional share capital of HK\$12,108,713 and share premium of HK\$6,495,575, before issue expenses.

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 2003.

REVIEW BY AUDIT COMMITTEE

The 2003 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.

On behalf of the Board
Dr. Stanley Ho
Chairman

Hong Kong, 16th September 2003