



31st December 2003

1. Principal accounting policies

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

(a) Basis of preparation

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

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

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

(b) Consolidation

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

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

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

(c) Subsidiaries

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

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



1. Principal accounting policies (continued)

(d) Revenue recognition

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

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

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

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

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

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

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

(e) Intangibles

(i) Goodwill

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

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

(ii) Trading rights

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



1. Principal accounting policies (continued)

(f) Fixed assets

(i) Investment properties

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

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

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

(ii) Other fixed assets

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

(iii) Depreciation

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

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

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

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



1 Principal accounting policies (continued)

(f) Fixed assets (continued)

(iv) *Gain or loss on sale*

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

(g) Impairment of assets

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

(h) Investments securities and other investments

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

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

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

(i) Trade receivables

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



31st December 2003

1. Principal accounting policies (continued)

(j) Contracts in progress

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

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

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

(k) Inventories

Inventories comprise stocks and work in progress.

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

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

(l) Deferred taxation

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

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

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



1. Principal accounting policies (continued)

(m) Operating leases

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

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

(n) Translation of foreign currencies

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

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

(o) Segregated accounts

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

(p) Employee benefits

(i) Pension obligations

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

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

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



31st December 2003

1. Principal accounting policies (continued)

(p) Employee benefits (continued)

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

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

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

(q) Borrowing costs

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

(r) Segment reporting

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

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

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



2. Turnover, revenue and segment information

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

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

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

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

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

Revenue recognised during the year are as follows:

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



31st December 2003

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments

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



2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments (continued)

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



31st December 2003

2. Turnover, revenue and segment information (continued)

Secondary reporting format – geographical segments

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

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

3. Other income

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



4. Loss before finance costs and taxation

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

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

5. Finance costs

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



31st December 2003

6. Taxation and deferred taxation

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

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

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

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

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

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



6. Taxation and deferred taxation (continued)

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

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

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

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

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

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

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



31st December 2003

7. Loss attributable to shareholders

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

8. Dividends

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

9. Loss per share

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

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

10. Directors' and senior management's emoluments

(a) Directors' emoluments

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

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

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

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



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

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

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

(b) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

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



31st December 2003

11. Intangible assets

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

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

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



12. Fixed assets

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



31st December 2003

12. Fixed assets (continued)

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

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

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

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



12. Fixed assets (continued)

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

Cost	
At 1st January 2003 and 31st December 2003	6
Accumulated depreciation	
At 1st January 2003	2
Charge for the year	4
At 31st December 2003	6
Net book value	
At 31st December 2003	–
At 31st December 2002	4

The Group's investment properties and leasehold land and buildings are located in Hong Kong and are held under long term leases.

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



31st December 2003

12. Fixed assets (continued)

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

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

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

13. Investments in subsidiaries

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



13. Investments in subsidiaries (continued)

Note:

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

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



31st December 2003

13. Investments in subsidiaries (continued)

Note: (continued)

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



13. Investments in subsidiaries (continued)

Note: (continued)

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

1 Shares held directly by the Company

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

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

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



31st December 2003

14. Investment securities

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

Listed equity investment in Hong Kong, at cost	4,250	4,250
Provision for impairment	(4,250)	(4,250)
Total	20,637	–

15. Inventories

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

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

16. Trade receivables

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



16. Trade receivables (continued)

- (a) The Group's leisure and entertainment segment and the property and other investments segments are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 60 days would be granted.
- (b) Trade receivables arising from the ordinary course of business of broking in securities and equity options transactions and dealing in futures and options in the investment banking and financial services segment as at 31st December 2003 amounted to approximately HK\$235,922,000 (2002: nil). The settlement terms of the trade receivables arising from the broking in securities and equity options transactions are two days after the trade date of those transactions; and the trade receivables arising from the dealing in futures and options are one day after the trade date.

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

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

17. Other investments

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



31st December 2003

18. Amounts due from related companies

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

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

Notes:

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



19. Trade payables

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

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

20. Share capital

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

Note:

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



31st December 2003

21. Share option

(a) **Melco International Development Limited**

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

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

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

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



21. Share option (continued)

(a) Melco International Development Limited (continued)

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

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

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

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



31st December 2003

21. Share option (continued)

(a) Melco International Development Limited (continued)

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



21. Share option (continued)

(b) Value Convergence Holdings Limited (“VC”)

(i) Pre-IPO share option plan

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

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

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



31st December 2003

21. Share option (continued)

(b) Value Convergence Holdings Limited (“VC”) (continued)

(ii) *New share option scheme*

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

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

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

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



22. Reserves

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



31st December 2003

22. Reserves (continued)

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



23. Consolidated cash flow statement

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

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



31st December 2003

23. Consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

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



23. Consolidated cash flow statement (continued)

(c) Acquisition of subsidiaries

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

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

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

24. Pledge bank deposits

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



31st December 2003

25. Commitments

(a) Capital commitments

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

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

(b) Commitments under operating leases

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

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

26. Related party transactions

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

- (a) The trade receivables include amounts due from related companies in relation to sales of computer hardware and software to related companies of approximately HK\$1,808,000 (2002: nil).



26. Related party transactions (continued)

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

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

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

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

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

Notes:

- (i) The Group received catering income in respect of restaurant operations from certain directors and related companies for services provided at a discount ranging between 15% and 40%.
- (ii) The Group paid insurance premiums to Jardine Shun Tak Insurance Brokers Limited, an associate of Shun Tak Holdings Limited ("STHL"), to insure the properties and employees of the Group under the terms and conditions applicable to customers of comparable standing. Dr. Stanley Ho, a director of the Company, is also a director and/or has direct and/or indirect beneficial interests in STHL.



31st December 2003

26. Related party transactions (continued)

- (iii) The Group paid management fees to Shun Tak Property Management Limited ("STPML"), a subsidiary of STHL, on a cost reimbursement basis for building management expenditure paid by STPML on behalf of the Group.
- (iv) The sales of souvenirs to Sociedade de Turismo e Diversões de Macau ("STDM"), a related company of which Dr. Stanley Ho is director and/or has direct and/or indirect beneficial interests, were made according to the published prices and conditions offered to customers of the Group, except that a longer credit period was normally granted. The balance due from STDM at 31st December 2003 was HK\$429,000 (2002: HK\$425,000) (note 18).
- (v) Brokerage commission income earned from transactions with related parties was at prices and terms no less than those transacted with other third party customers of the Group.
- (vi) Service fees charged and computer hardware and software sold to related companies were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.

27. Post Balance Sheet Events

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

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

28. Comparative figures

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

29. Approval of accounts

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