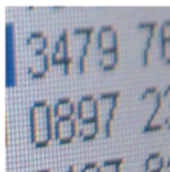
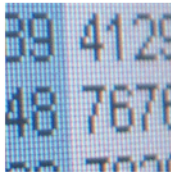
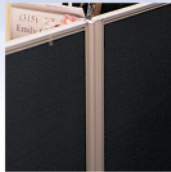
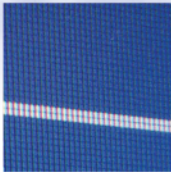


Interim Report 2004



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to VALUE CONVERGENCE HOLDINGS LIMITED. The directors of VALUE CONVERGENCE HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



The board (the “Board”) of Directors (the “Directors”) of Value Convergence Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th June 2004, together with the unaudited comparative figures for the three months and six months ended 31st March 2003 (The Company has changed its financial year end date from 30th September to 31st December with effect from 2003).

During the six months ended 30th June 2004, the Group has achieved encouraging performance with both the investment banking and financial services business and the technology business being turned around and reported profits.

HIGHLIGHTS

- Turnover for the three months and six months ended 30th June 2004 amounted to approximately HK\$44.3 million and HK\$100.1 million respectively, an increase of approximately 151% and 241% as compared to the turnover for the three months and six months ended 31st March 2003 respectively.
- The Group recorded profit attributable to shareholders of approximately HK\$24 million and HK\$32.5 million for the three months and six months ended 30th June 2004 respectively, as compared to a loss of approximately HK\$17.4 million and HK\$24.7 million for the three months and six months ended 31st March 2003 respectively.
- During the review period, the Group has rationalized its lines of businesses by disposing its technology business and focusing its development in the investment banking and financial services business. Completion of the disposal was effective on 31st May 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Investment banking and financial services business

During the first quarter of 2004, the market sentiments in both the HK and US markets had improved steadily and investors' sentiment had remained bullish. The Hang Seng Index had risen from 12,575 at the beginning of 2004 to close at 13,928 on 18th February 2004, its highest for the first half of 2004. However, the local stock market experienced a significant correction since March 2004 amidst the fear of rising interest rate in the US. The Hang Seng Index slid to its lowest for the first half of 2004 at 10,967 on 17th May 2004 and closed at 12,285 at the end of June 2004. The June closing Hang Seng Index represents a drop of 12% from its hike of 13,928 on 18th February 2004. The average daily market turnover of the Hong Kong stock market including GEM has improved from approximately HK\$13.6 billion for the second half of 2003 to approximately HK\$16.8 billion for the first half of 2004.

At present, the Group's investment banking and financial services business primarily comprise brokerage (securities, futures and options broking and dealing) and investment banking (corporate finance advisory service, initial public offerings, mergers and acquisition advisory services). As a result of increased stock market activities during the first half of 2004, business volume and transactions for the Group's brokerage division were increased. Also, the brokerage division managed to gain market shares in the stock, futures and options markets. During the review period, the investment banking division has completed several placement and IPO transactions during the period. In addition, the benefits arising from the implementation of strategic and operational initiatives, including cost rationalization, taken after acquisition of this business in late 2002 has continued to benefit the Group's overall performance.

The Group's research team has established a solid reputation in providing quality and independent company analyses and research reports. Also, the Group is gradually building up its asset management capability and a team of asset management professionals has been appointed.

The Group has set up new offices in Shenzhen, Beijing and Shanghai during the first half of 2004 in order to expand our deal sourcing capability for the investment banking business as well as to provide better financial service offerings to our PRC clients.

In response to requests of Monetary Authority of Macau (the "Authority"), supporting documents regarding the Group's application for a financial service licence to conduct securities and futures trading and brokerage business in Macau were submitted to the Authority on several occasions. The Group is waiting for the Authority's decision on the said application.



Technology business

The Group's technology business, through iAsia Online Systems Limited and other iAsia group of companies ("iAsia"), provided comprehensive online trading and related systems and services to financial institutions and intermediates. During the first half of 2004, iAsia had developed Bullion Deal Matching System, which was well received by the customers. In addition, iAsia has been improving and integrating the existing modules of online trading and related systems to better suit the customers' needs and the inclusion of the Bullion Deal Matching system has enhanced the comprehensiveness of the systems.

Through Elixir Group Limited ("Elixir") and its Macau subsidiary, Elixir offered clients in Hong Kong, Macau and the PRC full range of hardware systems, system integration services and system network services that complement iAsia's software products. During the first half of 2004, Elixir continued to fulfill its service contracts signed in second half of 2003 with Sociedade de Jogos de Macau, S.A. and other customers. Also, Elixir also expanded its clientele and entered into new service contracts with new third party customers.

On 19th March 2004, the Company entered into a conditional sale and purchase agreement with Melco International Development Limited ("Melco"), the Company's ultimate holding company, whereby the Company has conditionally agreed to sell and Melco has conditionally agreed to purchase the entire issued share capital of the iAsia Group, including iAsia group of companies and Elixir group of companies, for a consideration of HK\$27.9 million. The consideration was settled in cash and sale proceeds were used to repay a shareholder's loan owed by one of the Company's subsidiaries to the Melco Group. The Company also gave a guarantee to Melco that the net profit (after tax and minority interest) of the iAsia Group will not be less than HK\$4 million for the year ending 31st December 2004, failing which the Company will compensate the shortfall (up to a maximum of HK\$4 million) on a dollar for dollar basis. This disposal constituted a disclosable and connected transaction of the Company under the GEM Listing Rules and a circular with all the necessary details was prepared and sent to shareholders on 23rd April 2004. This disposal rationalized the Group's business, enabling it to focus on investment banking and financial services. The independent shareholders' approval in relation to the transaction had been obtained and the disposal had been completed on 31st May 2004. A gain of approximately HK\$26.4 million was recognized upon the completion of the disposal.

Financial and Segmental Performance

The Group's consolidated turnover amounted to approximately HK\$44.3 million and HK\$100.1 million for the three months and six months ended 30th June 2004 respectively (three months and six months ended 31st March 2003: HK\$17.7 million and HK\$29.3 million respectively), an increase of 151% and 241% respectively over the comparative periods. Also, profit attributable to shareholders amounted to approximately HK\$24 million and HK\$32.5 million for the three months

and six months ended 30th June 2004 respectively (three months and six months ended 31st March 2003: loss of approximately HK\$17.4 million and HK\$24.7 million respectively). The Group's result has been turned around and improved significantly.

Overall, the Group's financial performance has made significant achievements during the first half of 2004 with more than two-fold increase in revenue over the comparable period and results turning around to a profit of approximately HK\$32.5 million. The Group's improved financial performance reflects improved market activities and its improved competitiveness in increasing market share as well as the continuing focus on margin improvement and cost rationalisation.

For segmental financial performance, during the three months and six months ended 30th June 2004, turnovers attributed to the investment banking and financial services business were approximately HK\$24.3 million (55% of the total turnover) and HK\$65.5 million (65% of the total turnover) respectively as compared to approximately HK\$8.7 million (49% of the total turnover) and HK\$9.3 million (32% of the total turnover) for the three months and six months ended 31st March 2003 respectively. This segment recorded a profit before finance costs and taxation of approximately HK\$7.7 million for the six months ended 30th June 2004 as compared to a loss of approximately HK\$11.3 million for the six months ended 31st March 2003, representing a positive variance of HK\$19 million. The improvement in financial performance was primarily contributed by the increase in stock market activities and the successful implementation of strategic and operational initiatives to this business segment.

The technology business contributed approximately 35% of the Group's turnover for the six months ended 30th June 2004 with turnover amounted to approximately HK\$34.6 million as compared to approximately HK\$20 million for the six months ended 31st March 2003. This segment recorded a profit before finance costs and taxation (before gain on disposal of subsidiaries) of approximately HK\$2.2 million for the six months ended 30th June 2004 as compared to a loss of approximately HK\$7.3 million for the six months ended 31st March 2003. As mentioned in the "Business Review" Section, the Group sold its technology business on 31st May 2004 and focused its business in investment banking and financial services.

During the review period, Hong Kong and Macau were the major markets of the Group's business. For the six months ended 30th June 2004, turnover of the Group from the Hong Kong and Macau markets amounted to approximately HK\$70.2 million and HK\$29.9 million respectively. The profit before finance costs and taxation (before gain on disposal of subsidiaries) for the Hong Kong and Macau markets amounted to approximately HK\$9.9 million and HK\$1.6 million respectively. The operating result for the Macau market was principally contributed by the technology business.



Liquidity and financial resources

The Group financed its business operations from the cash revenues derived from operating activities, suppliers' credit, short term bank loans, overdrafts and shareholders' loan.

The Group has obtained banking facilities of HK\$100 million from various banks as at 30th June 2004 and HK\$30 million of these banking facilities will be secured by margin clients' listed securities. As at 30th June 2004, the Group had utilized approximately HK\$58.2 million of the unsecured banking facilities. Of these, interest on bank loans of HK\$19 million and HK\$33 million, which mature on 2 July 2004 and 7 July 2004 respectively, was charged at HIBOR plus 1.5 per cent. per annum. The balance was bank overdraft which was repayable on demand and interest was charged at prime rate per annum.

As at 30th June 2004, the Group has borrowed HK\$142.1 million loan from its ultimate holding company which is interest bearing at prime rate minus 2 per cent. per annum repayable upon written notice of the ultimate holding company. The loan is primarily used to finance the expansion of the Group's investment banking and financial services business.

As at 30th June 2004, net current assets, cash available to the Group and shareholders' funds (other than the trust accounts) amounted to approximately HK\$121.1 million (31st December 2003: HK\$84.6 million), HK\$49.7 million (31st December 2003: HK\$102.2 million) and HK\$154.4 million (31st December 2003: HK\$123.5 million) respectively.

The Group adopts a prudent treasury policy. The majority of the bank balances and cash are denominated in Hong Kong dollars and deposited in short term fixed deposits. It is the intention of the management to maintain a minimum exposure to foreign exchange risks.

Capital structure

As at 30th June 2004, the total number of issued ordinary shares of the Company was 238,154,999 shares of HK\$0.10 each (31st December 2003: 238,154,999 shares of HK\$0.10 each). During the review period, there was no change in the Group's capital structure.

Material acquisitions and disposal of subsidiaries, significant investments and their performance

During the six months ended 30th June 2004, the Group has completed the disposal of its technology business. Details of the disposal are given in the "Business Review" section. The Group did not make any significant investments and capital commitments during the review period.

Headcount/Employees' information

As at 30th June 2004, the Group employed a total of 142 employees, of which 134 were stationed in Hong Kong and 8 were stationed in the PRC respectively. As at 31st December 2003, the Group employed a total of 184 employees, of which 169 were stationed in Hong Kong while the remaining employees were stationed in Macau and the PRC.

Staff costs (including directors' emoluments) and staff sales commission amounted to approximately HK\$24.4 million and HK\$23.7 million for the six months ended 30th June 2004 respectively (six months ended 31st March 2003: approximately HK\$17.9 million and HK\$3 million respectively).

The Group's employees are selected and promoted based on suitability for the position offered. The salary and related benefits of the employees, including medical coverage, provident funds and overtime allowances, are determined on a performance related basis within the Group's remuneration structure and is subject to annual review by Management. Training and development programmes are provided to the Group's employees on an ongoing basis. In addition, the Group has a share option scheme, under which options are granted to employees to recognize their contributions and to provide incentives to them to stay with the Group. Details of the share options granted to the employees as at 30th June 2004 are stated in the section headed "Details of outstanding options granted" below.

Charges on group assets

As at 30th June 2004, the Group did not charge or pledge any of its assets (31st December 2003: HK\$184,000).

Gearing ratio

As at 30th June 2004, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts and loan from ultimate holding company) over shareholders' funds, was approximately 1.3 times (31st December 2003: 1.3 times).

Foreign exchange exposure

It is the Group's policy for each operating entity to operate in local currencies to minimize its currency risk as far as possible. The Group's principal businesses are conducted and recorded in Hong Kong dollars. The impact of foreign exchange exposure of the Group is minimal, and, therefore, no hedging against foreign currency exposure is considered necessary.

Future plans for material investments or capital assets

As at 30th June 2004, the Group had no known plans for material investments or capital assets.

Contingent liabilities

As at 30th June 2004, the Group did not have any material contingent liabilities (31st December 2003: nil).

Post balance sheet event

On 21st June 2004, VC Finance Limited (“VC Finance”), the Group’s wholly-owned subsidiary, entered into a conditional Subscription Agreement with Angels Technology Company Limited (“Angels”) in connection with the subscription of a convertible note in the principal amount of HK\$4,000,000 (“Note”) whereby VC Finance has the right to convert the whole or part of the outstanding principal amount of the Note into ordinary shares of Angels (“Conversion Shares”) at an initial conversion price of HK\$0.37 per share in accordance with the terms and conditions of the Note. Completion of the subscription of the Note took place on 7th July 2004 (“Issue Date”). The Note bears interest from the Issue Date at the rate of 4% per annum on the principal amount of the Note outstanding for a period of 18 months and Angels shall repay any principal moneys outstanding under the Note on the date falling on the expiry of this 18 months’ period. Assuming full conversion of the Note, the Conversion Shares issued will represent approximately 5.30% of the issued share capital of Angels as at 23rd June 2004.

Outlook

During the first half of 2004, the local stock market has experienced high volatility. We expect that the stock market will continue to experience high volatility for the rest of 2004. Nevertheless, the implementation of the various initiatives to the Group’s operations over the past year and the strengthening of the management team in the investment banking and financial services business have positioned the Group in a favorable position to weather the market volatility and capture market opportunities. In addition, the set up of new offices in Shenzhen, Beijing and Shanghai expanded our deal sourcing capabilities as well as to provide better financial service offerings to our PRC clients.

Amid possible short term market volatility and certain unavoidable obstacles along the road of expansion, management remains optimistic in the longer-term prospect of the investment banking and financial services business. The Group will strive to build on its success in the first half of 2004 and achieve better financial results and returns to the shareholders.

By Order of the Board
Value Convergence Holdings Limited
Ho Yau Lung, Lawrence
President and Vice Chairman

Hong Kong, 13th August 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30th June 2004

	Notes	Unaudited Three months ended		Unaudited Six months ended	
		30th June 2004 HK\$'000	31st March 2003 HK\$'000	30th June 2004 HK\$'000	31st March 2003 HK\$'000
Turnover	(2)	44,325	17,665	100,070	29,335
Other revenues	(2)	1,593	380	2,604	546
Other income		419	–	1,819	–
Cost of inventories sold		(14,656)	(5,563)	(23,810)	(14,324)
Staff costs		(13,272)	(12,971)	(24,419)	(17,872)
Depreciation and amortization	(9) & (10)	(1,876)	(3,714)	(3,871)	(6,060)
Commission expenses		(9,690)	(3,110)	(26,901)	(3,362)
Other operating expenses		(7,481)	(10,058)	(15,535)	(13,045)
Gain on disposal of subsidiaries (discontinuing operation)	(4)	26,384	–	26,384	–
Profit (loss) before finance costs and taxation	(5)	25,746	(17,371)	36,341	(24,782)
Finance costs	(6)	(1,550)	(143)	(3,674)	(159)
Profit (loss) before taxation		24,196	(17,514)	32,667	(24,941)
Taxation	(7)	–	–	–	–
Profit (loss) after taxation		24,196	(17,514)	32,667	(24,941)
Minority interests		(217)	95	(217)	236
Profit (loss) attributable to shareholders		23,979	(17,419)	32,450	(24,705)
Basic earnings (loss) per share (HK cents)	(8)	10.07	(9.60)	13.63	(18.11)



CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004

		Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
	Notes		
Non-current assets			
Fixed assets	(9)	6,415	9,773
Intangible assets	(10)	21,646	22,998
Investment securities			
– unlisted equity securities		800	800
Deposits and fundings for investment			
banking and financial services business		3,431	4,219
Other non-current assets		1,047	1,072
Current assets			
Inventories		–	1,817
Other investments		44,813	40,638
Trade receivables, prepayments, deposits and other receivables	(11)	284,850	240,836
Amount due from an investee company		6	4
Amounts due from fellow subsidiaries		4,789	–
Pledged bank deposits		–	184
Bank balances and cash		49,672	102,190
		384,130	385,669
Current liabilities			
Trade payables, accruals and other payables	(12)	51,942	136,303
Amount due to ultimate holding company		6,071	4,673
Amounts due to fellow subsidiaries		4,754	67
Loan from ultimate holding company		142,100	160,000
Bank loans and overdrafts		58,158	–
		263,025	301,043
Net current assets		121,105	84,626
Total assets less current liabilities		154,444	123,488
Financed by:			
Share capital	(13)	23,815	23,815
Reserves		130,629	99,673
Shareholders' funds		154,444	123,488

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	Unaudited	
	Six months ended	
	30th June	31st March
	2004	2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(102,201)	(9,893)
Net cash from/(used in) investing activities	23,099	(88,618)
Net cash from financing	26,584	113,844
	<hr/>	<hr/>
(Decrease)/Increase in cash and cash equivalents	(52,518)	15,333
Cash and cash equivalents at beginning of period	102,190	30,219
	<hr/>	<hr/>
Cash and cash equivalents at end of period	49,672	45,552
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	49,672	45,552
	<hr/> <hr/>	<hr/> <hr/>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Exchange reserves HK\$'000	
Balance at 1st October 2002	68,044	118,362	-	(130,103)	844	57,147
Issue of rights shares	102,067	-	-	-	-	102,067
Issue of bonus shares	68,044	(68,044)	-	-	-	-
Expenses incurred in connection with issue of rights shares	-	(4,440)	-	-	-	(4,440)
Loss attributable to shareholders	-	-	-	(24,705)	-	(24,705)
Exchange differences arising on translation of accounts of an overseas company	-	-	-	-	(15)	(15)
Balance at 31st March 2003	<u>238,155</u>	<u>45,878</u>	<u>-</u>	<u>(154,808)</u>	<u>829</u>	<u>130,054</u>

	Unaudited (Accumulated losses)/					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profit HK\$'000	Exchange reserves HK\$'000	
Balance at 1st January 2004	23,815	-	123,758	(25,579)	1,494	123,488
Profit attributable to shareholders	-	-	-	32,450	-	32,450
Reserves transferred to profit and loss account arising from an overseas company	-	-	-	-	(1,494)	(1,494)
Balance at 30th June 2004	<u>23,815</u>	<u>-</u>	<u>123,758</u>	<u>6,871</u>	<u>-</u>	<u>154,444</u>

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

These unaudited condensed consolidated interim accounts have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The principal accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those used in the annual report of the Company for the fifteen months ended 31st December 2003 issued on 18th March 2004. Certain comparative figures have been reclassified to conform to the current period's presentation.

The financial year end date of the Company has been changed from 30th September to 31st December with effect from 2003. As a result, the comparative amounts for the condensed consolidated profit and loss account, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity, and the related notes to the accounts are not directly comparable.

2. Turnover

Turnover principally arises from the (i) investment banking and financial services business (comprising, among others, corporate finance advisory services, initial public offerings, mergers, acquisitions, securities, futures and options broking and dealing); and (ii) technology business (comprising sales of technology solution systems and provision of related services to customers in Asia). The technology business has been disposed of on 31st May 2004 and therefore the technology business' turnover reflects turnover for the five months ended 31st May 2004.

	Three months ended		Six months ended	
	30th June 2004 HK\$'000	31st March 2003 HK\$'000	30th June 2004 HK\$'000	31st March 2003 HK\$'000
Turnover				
Investment banking and financial services	24,307	8,665	65,447	9,294
Sales of technology solution systems and related services	20,018	9,000	34,623	20,041
	44,325	17,665	100,070	29,335
Other revenues	1,593	380	2,604	546
Total revenues	45,918	18,045	102,674	29,881

3. Segmental information

Primary reporting format – business segments

For the six months ended 30th June 2004, the Group's business can be segregated in the following two main business segments:

- (i) Investment banking and financial services (continuing operation)
- (ii) Sales of technology solution systems and related services (discontinuing operation) (*Note*)

Note : The technology business has been disposed of on 31st May 2004. With effect from 1st June 2004, the Group has been engaged in investment banking and financial services business only.

	Six months ended 30th June 2004		
	<i>Continuing operation</i>	<i>Discontinuing operation</i>	
	Investment banking and financial services	Sales of technology solution systems and related services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenues			
Turnover	65,447	34,623	100,070
Other revenues	2,594	10	2,604
	<u>68,041</u>	<u>34,633</u>	<u>102,674</u>
Segment results	<u>7,672</u>	<u>2,191</u>	9,863
Gain on disposal of subsidiaries	<u>–</u>	<u>26,384</u>	26,384
Other operating income			1,494
Unallocated costs			<u>(1,400)</u>
Profit before finance costs and taxation			36,341
Finance costs			<u>(3,674)</u>
Profit before taxation			32,667
Taxation			<u>–</u>
Profit after taxation			32,667
Minority interests			<u>(217)</u>
Profit attributable to shareholders			<u><u>32,450</u></u>

	Six months ended 31st March 2003		
	<i>Continuing operation</i>	<i>Discontinuing operation</i>	
	Investment banking and financial services	Sales of technology solution systems and related services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenues			
Turnover	9,294	20,041	29,335
Other revenues	392	154	546
	<u>9,686</u>	<u>20,195</u>	<u>29,881</u>
Segment results	<u>(11,283)</u>	<u>(7,309)</u>	(18,592)
Unallocated costs			<u>(6,190)</u>
Loss before finance costs and taxation			(24,782)
Finance costs			<u>(159)</u>
Loss before taxation			(24,941)
Taxation			<u>-</u>
Loss after taxation			(24,941)
Minority interests			<u>236</u>
Loss attributable to shareholders			<u>(24,705)</u>

Secondary reporting format – geographical segments

	Six months ended 30th June 2004	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Hong Kong	70,235	9,881
The People's Republic of China excluding Hong Kong	-	(1,568)
Macau	<u>29,835</u>	<u>1,550</u>
	<u>100,070</u>	<u>9,863</u>
Gain on disposal of subsidiaries		26,384
Other operating income		1,494
Unallocated costs		<u>(1,400)</u>
Profit before finance costs and taxation		<u>36,341</u>



	Six months ended 31st March 2003	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Hong Kong	20,739	(17,849)
Macau	8,596	(743)
	<u>29,335</u>	<u>(18,592)</u>
Unallocated costs		<u>(6,190)</u>
Loss before finance costs and taxation		<u>(24,782)</u>

4. Discontinuing operation

On 31st May 2004, the Group completed the disposal of the whole technology business to its ultimate holding company. The assets and liabilities involved in the disposal are as follows:

	<i>HK\$'000</i>
Fixed assets	1,411
Inventories	19,249
Trade receivables, prepayments, deposits and other receivables	28,595
Amounts due from group companies	2,842
Bank balances and cash	2,489
Trade payables, accruals and other payables	(48,404)
Amounts due to group companies	(4,449)
Minority interests	(217)
	<u>1,516</u>
Gain on disposal of subsidiaries	<u>26,384</u>
	<u>27,900</u>
Satisfied by:	
Cash (by way of settlement of loan from ultimate holding company)	<u>27,900</u>
	<u>27,900</u>
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:	
Cash consideration	27,900
Bank balances and cash disposed	(2,489)
	<u>25,411</u>
Net inflow of cash and cash equivalents from the disposal	<u>25,411</u>

5. Profit (loss) before finance costs and taxation

Profit (loss) before finance costs and taxation is stated after charging / (crediting) the followings:

	Three months ended		Six months ended	
	30th June	31st March	30th June	31st March
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	119	(71)	250	55
Loss (gain) on disposal of fixed assets	–	417	(21)	449
Net exchange loss (gain)	66	(12)	(58)	(14)
(Reversal of) Provision for doubtful receivables	–	(53)	500	65
Depreciation of fixed assets	1,200	3,041	2,519	5,276
Amortization of intangible assets	676	673	1,352	784
Operating leases in respect of land and buildings	905	1,918	1,841	3,105
Termination benefits	74	1,392	265	2,010
Pension costs-contributions to defined contribution plans	359	351	758	595
Refund of pension costs-contributions to defined contribution plans	(48)	(1,048)	(178)	(1,048)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. Finance costs

	Three months ended		Six months ended	
	30th June	31st March	30th June	31st March
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	269	488	980	504
Interest on loan from ultimate holding company and a fellow subsidiary	1,281	14	2,694	14
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total borrowing costs incurred	1,550	502	3,674	518
Less: Interest on bank loans and overdrafts capitalized	–	(359)	–	(359)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,550</u>	<u>143</u>	<u>3,674</u>	<u>159</u>

7. Taxation

No provision for Hong Kong or overseas profits tax has been made in the accounts as the Group has no estimated assessable profits after offsetting accumulated tax losses for the six months ended 30th June 2004 (six months ended 31st March 2003: nil).

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has estimated unrecognized tax losses of HK\$173,143,000 as at 30th June 2004 (31st December 2003: HK\$285,603,000) to carry forward against future taxation income. These estimated tax losses have no expiry date but were subject to the approval of the Hong Kong Inland Revenue Department and the tax bureau of Macau and the PRC.

8. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the Group's unaudited profit attributable to shareholders of approximately HK\$23,979,000 and HK\$32,450,000 for the three months and six months ended 30th June 2004 respectively (three months and six months ended 31st March 2003: loss of approximately HK\$17,419,000 and HK\$24,705,000 respectively) and the weighted average number of 238,154,999 and 238,154,999 ordinary shares (three months and six months ended 31st March 2003: 181,451,429 and 136,409,031 ordinary shares, after adjustment of the number of shares in issue prior to the rights issue on 5th February 2003 by the factor of 1.36 and the share consolidation of every 10 shares to 1 share on 28th May 2003) in issue during the respective periods.

Diluted earnings (loss) per share has not been presented for the three months and six months ended 30th June 2004 and the three months and six months ended 31st March 2003 as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic earnings (loss) per share.

9. Fixed assets

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Net book value, beginning of period	9,773	13,232
Additions through acquisition of subsidiaries	–	6,550
Additions	572	7,723
Disposals	–	(802)
Disposals through disposal of subsidiaries	(1,411)	–
Depreciation	(2,519)	(13,870)
Impairment charge	–	(3,080)
Exchange difference	–	20
	6,415	9,773
Net book value, end of period	6,415	9,773

10. Intangible assets

	Trading rights <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1st January 2004 and 30th June 2004	<u>5,066</u>	<u>21,987</u>	<u>27,053</u>
Accumulated amortization			
At 1st January 2004	1,773	2,282	4,055
Amortization charge	<u>253</u>	<u>1,099</u>	<u>1,352</u>
At 30th June 2004	<u>2,026</u>	<u>3,381</u>	<u>5,407</u>
Net book value			
At 30th June 2004	<u>3,040</u>	<u>18,606</u>	<u>21,646</u>
At 31st December 2003	<u>3,293</u>	<u>19,705</u>	<u>22,998</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 amortized using the straight-line method over their estimated useful lives of 10 years.

Trading rights represent rights on the Hong Kong Stock Exchange ("HKSE") and Hong Kong Futures Exchange ("HKFE") acquired as part of the consideration for original membership shares in the HKSE and the HKFE following merger of HKSE and HKFE and their respective clearing houses in March 2000 and subsequent listing of HKSE. Trading rights are amortized over their estimated useful lives of 10 years.

11. Trade receivable, prepayments, deposits and other receivables

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Trade receivables		
Within 30 days	268,994	232,039
31-90 days	7,326	2,379
Over 90 days	11,517	6,247
	287,837	240,665
Due from customers on contracts	–	1,702
Retention money receivables	–	125
Prepayments, deposits and other receivables	3,846	4,677
	291,683	247,169
Less: Provision for doubtful receivables	(6,833)	(6,333)
	284,850	240,836

The settlement terms of trade receivables arising from the ordinary course of business of broking in securities and equity options transactions are two days after the trade date of those transactions and the trade receivables arising from the ordinary course of business of dealing in futures and options are one day after the trade date.

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates.

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

Included in trade receivables, prepayments, deposits and other receivables are amounts due from customers on contracts as follows:

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Contract costs incurred plus attributable profits	–	5,683
Less: Progress billings to date	–	(3,981)
	<u>–</u>	<u>1,702</u>

12. Trade payable, accruals and other payables

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Trade payables		
Within 30 days	40,772	102,527
31-90 days	30	3,414
Over 90 days	120	391
	<u>40,922</u>	<u>106,332</u>
Accruals and other payables	<u>11,020</u>	<u>29,971</u>
	<u>51,942</u>	<u>136,303</u>

13. Share capital

	As at 30th June 2004		As at 31st December 2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorized:				
Ordinary shares of HK\$0.10 each	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>238,154,999</u>	<u>23,815</u>	<u>238,154,999</u>	<u>23,815</u>

14. Related parties transactions

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

	Notes	Three months ended		Six months ended	
		30th June	31st March	30th June	31st March
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transfer of fixed assets from a related company	(i)	-	291	-	291
Rental charge paid to related companies	(ii)	59	-	72	-
Rental charge borne by a related company	(iii)	26	-	64	-
Technical, network and other service fees charged to related companies	(iv)	304	43	347	68
Technical, network and other service fees charged from related companies	(iv)	159	-	159	-
Sales of computer hardware and software to related companies	(iv)	17,031	4,722	23,774	5,268
Purchases of computer hardware and software from a related company	(iv)	28	-	28	-
Brokerage commission income/interest income earned from certain directors of the Group or their relatives	(v)	84	-	160	-
Interest expenses charged on loan from ultimate holding company and a fellow subsidiary	(vi)	1,281	14	2,694	14
Management fee charged by ultimate holding company	(vii)	750	750	1,500	750
Gain on disposal of subsidiaries	(viii)	<u>26,384</u>	<u>-</u>	<u>26,384</u>	<u>-</u>

Notes:

- (i) Fixed assets were transferred from a related company based on their carrying value stated in the books of the related company.
- (ii) The Group leased certain office space from related companies. The lease rentals were charged according to actual floor space utilized at normal commercial terms.
- (iii) The Group leased certain leased space to a related company. The lease rental borne by the related company was charged according to actual floor space utilized at normal commercial terms.
- (iv) Service fees charged from/to and computer hardware and software sold from/to related companies were conducted in the normal course of business at prices and terms no less than those charged from/to and contracted with other third party customers of the Group.
- (v) Brokerage commission income and interest 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) Interest expenses on loan from ultimate holding company was charged at prime rate minus 2 per cent. per annum and HIBOR plus 2 per cent. per annum and loan from a fellow subsidiary was charged at HIBOR plus 1.25 per cent. per annum.
 - (vii) The amount of management fee charged by ultimate holding company is determined based on mutual agreement between the Company and the ultimate holding company.
 - (viii) The Group disposed the technology business at a consideration of HK\$27.9 million to Melco Group.
- (b) The amount due from an investee company, the amount due to ultimate holding company and the amounts due from/to the fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

15. Capital commitments

As at 30th June 2004, the Group did not have any material commitments contracted but not provided for in respect of purchase of fixed assets (31st December 2003: nil).

INTERIM DIVIDEND

No dividends have been paid or declared by the Company during the six months ended 30th June 2004 (2003: nil).

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 14 to the accounts, no contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30th June 2004 or at any time during such period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June 2004, the relevant interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the HKSE, were as follows:

(i) Interests in shares of the Company ("Shares")

Name of Directors	Nature of interests	<i>Notes</i>	Number of Shares interested	Approximate percentage of Shares interested
Dr. Ho Hung Sun, Stanley	Corporate	(1)	7,384,651	3.10%
	Personal	(5)	735,000	0.31%
Mr. Ho Yau Lung, Lawrence	Corporate	(2)	4,232,627	1.78%
	Personal	(5)	1,226,057	0.51%
Dr. Lee Jun Sing	Corporate	(3)	6,299,702	2.65%
	Personal	(5)	3,627,567	1.52%
Mr. Ko Chun Fung, Henry	Corporate	(4) & (6)	4,237,025	1.78%
	Personal	(5) & (6)	3,627,567	1.52%

Notes:

1. Dr. Ho Hung Sun, Stanley will be taken to be interested in 7,384,651 Shares 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 the Company.
2. Mr. Ho Yau Lung, Lawrence will be taken to be interested in 4,232,627 Shares 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 the Company.
3. Dr. Lee Jun Sing will be taken to be interested in 6,299,702 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 2.65% of the issued share capital of the Company.
4. Mr. Ko Chun Fung, Henry will be taken to be interested in 4,237,025 Shares as a result of him being beneficially interested in 51% of the issued share capital of Capital Speed Limited which in turn holds approximately 1.78% of the issued share capital of the Company.
5. The personal interests of the relevant Directors represent their respective derivative interests in the Company comprising the physically settled options as more particularly mentioned in sub-section headed "Derivative Interests in the Company" below.
6. Mr. Ko Chun Fung, Henry has resigned as an executive director of the Company effective from 1st July 2004. The resignation follows the recent group reorganization of the company and its ultimate holding company, Melco International Development Limited ("Melco"), and allows Mr. Ko, as Chief Executive Officer of iAsia Online Systems Limited and iAsia Solutions Limited, wholly-owned subsidiaries of Melco, to focus his attention on and further develop the technology business of Melco group carried on under the "iAsia" name.

(ii) Derivative interests in the Company

Pursuant to the pre-IPO share option plan adopted by the Company on 14th March 2001 (“Pre-IPO Share Option Plan”) and the share option scheme adopted by the Company on 29th November 2001 (“Share Option Scheme”) as respectively described in the section headed “Details of Outstanding Options Granted” below, as at 30th June 2004, the Directors of the Company have options granted by the Company to subscribe Shares in the Company as follows:

Name of Director	Date of grant	<i>Notes</i>	Exercise price per Share <i>HK\$</i>	Number of underlying Shares comprised in the options outstanding as at 30th June 2004	Expiry date
Dr. Ho Hung Sun, Stanley	6th April 2001		3.6	735,000	8th October 2005
Mr. Ho Yau Lung, Lawrence	6th April 2001		3.6	735,000	8th October 2005
	9th July 2002	(1)	1.0	491,057	8th July 2012
Dr. Lee Jun Sing	6th April 2001		3.6	3,136,510	8th October 2005
	9th July 2002	(1)	1.0	491,057	8th July 2012
Mr. Ko Chun Fung, Henry	6th April 2001	(2)	3.6	3,136,510	8th October 2005
	9th July 2002	(1) & (2)	1.0	491,057	8th July 2012

Notes:

- The grant of options on 9th July 2002 pursuant to the Share Option Scheme had been reviewed and approved by the independent non-executive Directors of the Company.
- Please see note 6 in paragraph (i) above.

As at 30th June 2004, none of the Directors had exercised their options.



(iii) Interests in shares and equity derivatives of Melco International Development Limited (“Melco”), the Company’s ultimate holding company

Name of Directors	Nature of interests	Notes	Number of shares of Melco interested	Number of underlying shares of Melco interested	Approximate percentage of shares of Melco interested
Dr. Ho Hung Sun, Stanley	Corporate	(1)	2,377,500	–	0.63%
	Personal	(1)	12,646,367	–	3.35%
Mr. Ho Yau Lung, Lawrence	Corporate	(2)	182,455,599	–	48.35%
	Corporate	(3)	–	19,565,216	5.18%
	Personal	(4)	1,816,306	–	0.48%
	Personal	(4)	–	1,800,000	0.48%

Notes:

1. Dr. Ho Hung Sun, Stanley is taken to be interested in 2,377,500 shares of Melco as a result of him being beneficially interested in the respective entire issued share capitals of Sharikat Investments Ltd. and Dareset Ltd. which in turn hold an aggregate of approximately 0.63% of the issued share capital of Melco. Apart from that, Dr. Stanley Ho personally holds 12,646,367 shares of Melco.
2. Mr. Ho Yau Lung, Lawrence is taken to be interested in 57,754,512 shares of Melco as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 15.30% of the issued share capital of Melco. He is also taken to be interested in 124,701,087 shares of Melco as a result of him being interested in 77% of issued share capital of Better Joy Overseas Ltd. (“Better Joy”) which in turn holds approximately 33.03% of the issued share capital of Melco.

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

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

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

4. The personal interests of Mr. Lawrence Ho consist of (a) his personal holding of 1,816,306 shares in Melco and (b) derivative interests in Melco in the form of physically settled options granted on 19th February 2004, which may be executed, as to 900,000 options, during the period from 19th February 2005 to 7th March 2012 and as to the other 900,000 options, during the period from 19th February 2006 to 7th March 2012, at an exercise price of HK\$2.405 per Melco's share.

Save as disclosed above, as at 30th June 2004, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the HKSE.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2004, so far as is known to the Directors of the Company, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Approximate shareholding percentage
Melco Financial Group Limited (<i>Note</i>)	160,930,381	67.57%

Note:

The said 160,930,381 Shares were held by Melco Financial Group Limited (formerly "Melco Finance and Technology Limited"), which is a wholly-owned subsidiary of Melco.

Save as disclosed above, as at 30th June 2004, so far as is known to the Directors, there is no other person who had an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO.

DETAILS OF OUTSTANDING OPTIONS GRANTED

(i) Pre-IPO share option plan

As at 30th June 2004, options to subscribe for 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 were outstanding. The following are details of the outstanding Pre-IPO Share Options:

Categories of grantees	Total no. of grantees	No. of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options	Exercise price per Share <i>HK\$</i>	Pre-IPO Share Options duration
Directors of the Company	4	7,743,020	3.6	6th April 2001 to 8th October 2005
Employees	4	1,997,188	3.6	6th April 2001 to 8th October 2005
Total	<u>8</u>	<u>9,740,208</u>		

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Plan at any time during the following periods and in the following manners:

Exercisable period	Percentage of underlying Shares comprised in the options which become exercisable
Commencing from the business day immediately following the first six months of the commencement of the trading of the Shares on GEM	Up to 50%
Commencing from the business day immediately following the first anniversary of the commencement of the trading of the Shares on GEM and ending approximately 4.5 years after the date of grant	All Shares in respect of which the option has not been previously exercised

Details of the grant of Pre-IPO Share Options to the Directors of the Company are disclosed in the sub-section headed “Derivative interests in the Company” under the section of “Directors’ and chief executive’s interests in the Company and its associated corporations” above.

During the six months ended 30th June 2004, none of the Pre-IPO Share Options lapsed. Since the date of the grant of the Pre-IPO Share Options up to 30th June 2004, none of the Pre-IPO Share Options was exercised or cancelled.

A summary of the major terms of the Pre-IPO Share Option Plan is set out at pages 184-186 of the Company’s prospectus dated 23rd March 2001.



(ii) Share option scheme

As at 30th June 2004, options to subscribe for an aggregate of 27,368,925 underlying Shares (“Share Options”) pursuant to the Share Option Scheme were outstanding. The following are details of the outstanding Share Options:

Categories of grantees	Total no. of grantees	No. of underlying Shares to be issued upon the exercise of the Share Options	Exercise price per Share HK\$	Date of grant	Share Options duration
Directors of the Company	3	1,473,171	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	24	1,802,181	1.0	9th July 2002	9th July 2002 to 8th July 2012
Employees	69	23,160,565	0.64	25th March 2004	25th March 2004 to 8th July 2012
Other eligible persons	5	933,008	1.0	9th July 2002	9th July 2002 to 8th July 2012
Total	<u>101</u>	<u>27,368,925</u>			

The options are exercisable in accordance with the terms of the Share Option Scheme at any time during the following periods and in the following manners:

Exercisable period	Percentage of underlying Shares comprised in the options which become exercisable
Commencing from the date of grant up to the date falling six months thereafter	Up to 50%
Commencing during the period immediately after the expiry of first six months from the date of grant and ending 10 years after the date of grant	All Shares in respect of which the option has not been previously exercised

Details of the grant of Share Options to the Directors of the Company are disclosed in the sub-section headed “Derivative interests in the Company” under the section of “Directors’ and chief executive’s interests in the Company and its associated corporations” above.

During the six months ended 30th June 2004, certain Share Options to subscribe for a total of 19,642 underlying Shares granted to two employees lapsed as the relevant employees failed to exercise the same within 3 months after the relevant employees ceased to be the employees of the Group. Since the date of the grant of the Share Options up to 30th June 2004, none of the Share Options was exercised or cancelled.

A summary of the major terms of the Share Option Scheme is set out at pages 76-85 of the circular of the Company dated 12th November 2001.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company's audit committee was formed on 14th March 2001 comprising the independent non-executive Directors of the Company, Attorney Lorna Patajo-Kapunan and Mr. Tsui Yiu Wa, Alec. The terms of reference of the audit committee have been established with regard to Rule 5.29 of the GEM Listing Rules. Mr. Tsui Yiu Wa, Alec resigned as an independent non-executive Director and audit committee member of the Company with effect from 15th July 2004. With effect from 10th August 2004, Mr. Sham Sui Leung, Daniel was appointed as an independent non-executive director and audit committee member of the Company. This interim report was reviewed by the audit committee consisting of Ms. Attorney Lorna Patajo-Kapunan and Mr. Sham Sui Leung, Daniel.

The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2004.



COMPETING INTERESTS

Dr. Ho Hung Sun, Stanley, the Chairman and an executive Director of the Company, is also the chairman and a director of Seng Heng Bank Limited in Macau (“Seng Heng Bank”). As part of the business of Seng Heng Bank consists of securities brokerage and financial advisory services, the Directors believe that there is a potential risk that such part of business of Seng Heng Bank may compete with the investment banking business to be developed by the Group in Macau.

Save as disclosed above, as at 30th June 2004, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates had any business or interest in a business which competes or may compete with the business of the Group.