

MAGNIFICENT ESTATES LIMITED
(華 大 地 產 投 資 有 限 公 司)



Interim Report 2003
二 零 零 三 年 中 期 報 告

MANAGEMENT COMMENTARY

INTERIM RESULTS

The board of directors (the "Board") of Magnificent Estates Limited (the "Company") announces the unaudited consolidated loss after taxation of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2003 amounted to approximately HK\$19,249,000 (30/6/2002: profit approximately HK\$27,326,000).

The results of the Group for the six months ended 30th June, 2003 and its financial position as at that date are set out in the condensed financial statements on pages 7 to 20 of this report.

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 30th June, 2003 (30/6/2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial period under review, the Group continued with its operations of property investment, property development and trading, property leasing, investment in and operation of hotel and furnished suites and investment holding. The loss for the period was mainly due to the disposal of a commercial property of the Group.

Operating income from the Group's hotel declined considerably as a result of the SARS disease's detrimental impact on Hong Kong's travel related business throughout the second quarter of 2003. The average occupancy rate of the hotel for the period under review was approximately 52% at reduced room rates.

As to property leasing, the Group's investment properties maintained an overall occupancy of approximately 95% during the financial period under review.

Regarding property development, construction of the Group's 34 town houses at Ho Chung has been continued and the development project is expected to be completed by the end of the year 2003.

In June 2003, the Group entered into a sale and purchase agreement to dispose of the commercial property, No. 210, Pak Sha Wan, Sai Kung for a consideration of HK\$52 million. This disposal has been completed in September 2003 subsequent to the financial period under review. The disposal has realized a loss of approximately HK\$26.5 million.

In Shanghai, the PRC, the Group has continued with the business of short-term leasing of the furnished suites at the Magnificent International Hotel commercial property at Xizang Road.

Subsequent to the financial period under review, in September 2003, the Group has entered into a sale and purchase agreement to acquire a development site at No. 633 King's Road, North Point, for a consideration of HK\$230 million. The site area is approximately 17,150 sq.ft. and it is the Group's intention to develop a 3-star hotel with 600 rooms of gross floor area of approximately 258,601 sq.ft..

As at June 2003, gearing of the Group in terms of external bank borrowings was around 9.7%. The Group's external bank borrowings amounting to approximately HK\$105 million at 30th June 2003 were secured by certain properties, listed securities and other assets of the Group with an aggregate carrying value of approximately HK\$782 million. These bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

During the financial period under review, there was no significant changes in the Group's staffing level and remuneration and benefits were set with reference to the market.

In general, the Board expects the business environment in Hong Kong remains challenging in the midst of a recovery of the economy following the impact of the SARS disease. However, the implementation of the CEPA by the beginning of the year 2004 and the PRC government's recent policy of allowing mainland travellers to visit Hong Kong on an individual basis are likely to improve the economic well-being of Hong Kong. The Group will follow a cautious but more optimistic approach in its business development.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2003, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of Director	Capacity	Nature of interests	Number of Shares held	Approximate % of shareholding
William CHENG Kai Man	Interest of controlled corporations	Corporate	3,783,383,239 (Note)	69.2

Notes:

Shun Ho Technology Holdings Limited, South Point Investments Limited and Good Taylor Limited beneficially owned 3,419,444,905 shares, 273,579,983 shares and 90,358,351 shares of the Company respectively, representing 62.5%, 5.0% and 1.7% respectively of the issued share capital of the Company. Mr. William CHENG Kai Man has controlling interests in each of these three companies.

Associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William CHENG Kai Man	Shun Ho Technology Holdings Limited (Note 1)	Interest of controlled corporations	Corporate	350,628,682	65.3
	Shun Ho Resources Holdings Limited (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.2
	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Technology Holdings Limited, the Company's immediate holding company, is a public limited company incorporated in Hong Kong the shares of which are listed on the Stock Exchange.
2. Shun Ho Resources Holdings Limited, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong the shares of which are listed on the Stock Exchange.
3. Trillion Resources Limited, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

The Company and Shun Ho Technology Holdings Limited respectively adopted a Share Option Scheme For Employees (the "Scheme") on 27th September, 1990 and 30th June, 1990 for the primary purpose of providing incentives to directors and employees. These Schemes lapsed on 27th September, 2000 and 30th June, 2000.

In relation to the Scheme, no share option was granted to any employees, suppliers or other participants. Particulars of outstanding share options at the beginning and end of the period were as follows;

Name of director	Exercise price HK\$	Date of grant	Exercisable period		Outstanding at 1/1/2003	Cancelled during the period	Outstanding at 30/6/2003
			From	To			
The Company							
William Cheng Kai Men	0.20	29.6.1994	30.6.1994	29.6.2004	43,799,524	43,799,524	-
Shun Ho Technology Holdings Limited							
William Cheng Kai Men	1.11	19.10.1993	20.10.1993	19.10.2003	5,374,691	5,374,691	-

No option was granted, exercised or lapsed during the period.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2003, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares	Approximate % of shareholding
South Point Investments Limited	Beneficial owner	273,579,983	5.0
Shun Ho Technology Holdings Limited (Note 1)	Beneficial owner and interest of controlled corporations	3,783,383,239	69.2
Omnico Company Inc. (Note 2)	Interest of controlled corporations	3,783,383,239	69.2
Shun Ho Resources Holdings Limited (Note 2)	Interest of controlled corporations	3,783,383,239	69.2
Trillion Resources Limited (Note 2)	Interest of controlled corporations	3,783,383,239	69.2
Liza LEE Pui Ling (Note 3)	Interest of spouse	3,783,383,239	69.2

Notes:

1. Shun Ho Technology Holdings Limited beneficially owned 3,419,444,905 shares of the Company (the "Shares") and was taken to be interested in 273,579,983 Shares held by South Point Investments Limited and 90,358,351 Shares held by Good Taylor Limited (both of which are wholly-owned subsidiaries of Shun Ho Technology Holdings Limited).
2. Shun Ho Technology Holdings Limited is directly and indirectly owned as to 65.3% by Omnico Company Inc., which is in turn owned as to 100% by Shun Ho Resources Holdings Limited, which is in turn directly and indirectly owned as to 71.2% by Trillion Resources Limited, which is in turn wholly-owned by Mr. William CHENG Kai Man. So, Omnico Company Inc., Shun Ho Resources Holdings Limited and Trillion Resources Limited were taken to be interested in 3,783,383,239 Shares by virtue of their direct and indirect interests in Shun Ho Technology Holdings Limited.
3. Madam Liza LEE Pui Ling was deemed to be interested in 3,783,383,239 Shares by virtue of the interest in such Shares of her spouse, Mr. William CHENG Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director and chief executive of the Company, who has an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting policies adopted by the Group and discussed with management auditing, internal control and financial reporting matters, including the review of this interim report.

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

By Order of the Board

Peter LEE Yip Wah
Secretary

Hong Kong, 19th September, 2003

INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF MAGNIFICENT ESTATES LIMITED *(incorporated in Hong Kong with limited liability)*

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 20.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 19th September, 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Notes	Six months ended	
		30.6.2003 HK\$'000 (unaudited)	30.6.2002 HK\$'000 (unaudited & restated)
Turnover	3	27,202	138,418
Cost of sales		(4,645)	(77,029)
Service costs		(11,410)	(14,366)
		<u>11,147</u>	<u>47,023</u>
Other operating income		1,891	1,470
Administrative expenses		(8,859)	(11,995)
Gain (loss) on investments in securities		427	(217)
Reversal of decrease on revaluation of investment properties	8	9,000	–
Loss on disposal of an investment property	8	(26,520)	–
		<u>(12,914)</u>	<u>36,281</u>
(Loss) profit from operations	4	(12,914)	36,281
Finance costs	5	(1,564)	(4,923)
Share of results of associates		1,554	1,634
		<u>(12,924)</u>	<u>32,992</u>
(Loss) profit before taxation		(12,924)	32,992
Taxation	6	(6,325)	(5,666)
		<u>(19,249)</u>	<u>27,326</u>
Net (loss) profit for the period		<u>(19,249)</u>	<u>27,326</u>
		HK Cents	HK Cents
(Loss) earnings per share	7		
Basic		<u>(0.36)</u>	<u>0.81</u>
Diluted		<u>N/A</u>	<u>0.61</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2003

	<i>NOTES</i>	30.6.2003 HK\$'000 (unaudited)	31.12.2002 HK\$'000 (audited & restated)
Non-current Assets			
Investment properties	8	404,700	473,700
Property, plant and equipment	8	566,657	566,489
Property under development		139,716	124,414
Interests in associates		92,946	93,902
Investments in securities		28,670	22,863
		1,232,689	1,281,368
Current Assets			
Inventories		460	480
Investments in securities		31,263	30,699
Trade and other receivables	9	48,529	3,493
Deposits and prepayments		6,834	1,246
Trade balances due from shareholders		735	436
Trade balance due from an associate		166	7
Pledged bank deposits		2,932	2,860
Bank balances and cash		10,204	8,818
		101,123	48,039
Current Liabilities			
Trade and other payables	10	10,576	14,151
Rental and other deposits received		4,250	5,689
Advance from a shareholder	16(a)	50,888	71,093
Taxation payable		6,592	6,246
Bank loans, secured	11	104,663	89,607
		176,969	186,786
Net Current Liabilities		(75,846)	(138,747)
		1,156,843	1,142,621
Capital and Reserves			
Share capital	12	54,647	48,354
Reserves	13	1,021,538	1,020,789
		1,076,185	1,069,143
Non-current Liability			
Deferred taxation		80,658	73,478
		1,156,843	1,142,621

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Total equity HK\$'000 (Unaudited)
At 1st January, 2002	
– as originally stated	1,065,477
– prior period adjustments (<i>Note 2</i>)	<u>(70,474)</u>
– as restated	<u>995,003</u>
Decrease on revaluation of other securities not recognised in the income statement	(2,736)
Net profit for the period	<u>27,326</u>
At 30th June, 2002	<u><u>1,019,593</u></u>
At 1st January, 2003	
– as originally stated	1,142,621
– prior period adjustments (<i>Note 2</i>)	<u>(73,478)</u>
– as restated	<u>1,069,143</u>
Increase on revaluation of other securities	5,802
Deferred taxation arising on change in a tax rate	<u>(1,626)</u>
Net gains not recognised in the income statement	<u>4,176</u>
Net loss for the period	(19,249)
Impairment loss on other securities charged to income statement	134
Issue of shares	22,027
Share issue expenses	<u>(46)</u>
At 30th June, 2003	<u><u>1,076,185</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Six months ended	
	30.6.2003 HK\$'000 (unaudited)	30.6.2002 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(227)	18,502
Net cash used in investing activities	(12,901)	(4,173)
Net cash from (used in) financing activities	<u>14,514</u>	<u>(4,664)</u>
Net increase in cash and cash equivalents	1,386	9,665
Cash and cash equivalents at beginning of the period	<u>8,818</u>	<u>4,063</u>
Cash and cash equivalents at end of the period	<u><u>10,204</u></u>	<u><u>13,728</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	10,204	13,741
Bank overdrafts	<u>-</u>	<u>(13)</u>
	<u><u>10,204</u></u>	<u><u>13,728</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2002, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for the corresponding prior period have been restated accordingly. As a result of this change in policy, the opening balance of retained profits at 1st January, 2003 has been reduced by HK\$5,067,000 (1.1.2002: HK\$3,529,000). The balance on the Group’s other property revaluation reserve at 1st January 2003 has been reduced by HK\$23,611,000 (1.1.2002: HK\$22,145,000).

Further, the adoption of SSAP 12 (Revised) has given rise to goodwill of HK\$44,800,000 attributable to the acquisition of the hotel owning subsidiary. As the acquisition took place prior to 1st January, 2001, in accordance with the transitional relief provided under SSAP 30 “Business combination”, the goodwill has been dealt with in reserves, resulting in a decrease in reserves of the same amount as at 1st January, 2002 and 2003.

The loss for the six months ended 30th June, 2003 has increased by HK\$5,554,000 (2002: decrease in the profit by HK\$324,000).

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is mainly organised into four operations. These operations based on which the Group reports its primary segment information are as follows:

- Hospitality services – investment in and operation of hotel and furnished suites
- Property investment – property letting
- Property development and trading – development and trading of properties
- Securities investment and trading – investment in and trading of securities

Segment information about these businesses is presented below:

Six months ended 30th June, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	<u>12,721</u>	<u>9,744</u>	<u>–</u>	<u>4,737</u>	<u>–</u>	<u>27,202</u>
SEGMENT RESULT						
Operations	333	9,930	–	1,090	–	11,353
Reversal of decrease on revaluation of investment properties	–	9,000	–	–	–	9,000
Loss on disposal of an investment property	<u>–</u>	<u>(26,520)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(26,520)</u>
	<u>333</u>	<u>(7,590)</u>	<u>–</u>	<u>1,090</u>	<u>–</u>	<u>(6,167)</u>
Other operating income						11
Unallocated corporate expenses less amounts reimbursed by related companies						<u>(6,758)</u>
Loss from operations						(12,914)
Finance costs						(1,564)
Share of results of associates	(78)	1,632	–	–	–	<u>1,554</u>
Loss before taxation						<u>(12,924)</u>

Six months ended 30th June, 2002

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	<u>17,939</u>	<u>11,598</u>	<u>106,997</u>	<u>1,261</u>	<u>623</u>	<u>138,418</u>
RESULT						
Segment result	<u>3,686</u>	<u>11,122</u>	<u>31,458</u>	<u>212</u>	<u>623</u>	47,101
Unallocated corporate expenses less amounts reimbursed by related companies						<u>(10,820)</u>
Profit from operations						36,281
Finance costs						(4,923)
Share of results of associates	(64)	1,698	-	-	-	<u>1,634</u>
Profit before taxation						<u>32,992</u>

Geographical segments

The following is analysis of the Group's turnover by geographical markets:

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Hong Kong	22,398	135,835
Other regions in the People's Republic of China	4,804	2,583
	<u>27,202</u>	<u>138,418</u>

4. (LOSS) PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	388	1,625
Impairment loss on other securities	134	-
Dividends from listed investments	(263)	(277)
Interest income	<u>(2,084)</u>	<u>(2,123)</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2003 HK\$'000	30.6.2002 HK\$'000
Interest on:		
Bank loans and overdrafts	1,649	2,111
Other loans wholly repayable within five years	649	1,486
Convertible bonds	–	2,204
Bond issue expenses amortised	–	462
	<hr/>	<hr/>
Total borrowing costs	2,298	6,263
Less: Amount capitalised on properties under development	(734)	(1,340)
	<hr/>	<hr/>
	1,564	4,923
	<hr/> <hr/>	<hr/> <hr/>

6. TAXATION

	Six months ended	
	30.6.2003 HK\$'000	30.6.2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Company and subsidiaries	561	5,157
Associates	210	185
	<hr/>	<hr/>
	771	5,342
	<hr/>	<hr/>
Deferred taxation		
Current period	1,230	324
Attributable to increase in a tax rate	4,324	–
	<hr/>	<hr/>
	5,554	324
	<hr/>	<hr/>
	6,325	5,666
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Net (loss) profit for the period for the purposes of basic (loss) earnings per share	<u>(19,249)</u>	27,326
Effect of dilutive potential ordinary shares		
Interest on convertible bonds		<u>2,240</u>
Earnings for the purposes of diluted earnings per share		<u>29,566</u>
		Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>5,311,709,551</u>	3,353,614,126
Effect of dilutive potential ordinary shares		
Convertible bonds		<u>1,481,736,051</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>4,835,350,177</u>

No diluted loss per share has been calculated for the six months ended 30th June, 2003 as the exercise of the share options and warrants would result in a decrease in the loss per share.

The computation of diluted earnings per share for the six months ended 30th June, 2002 did not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of these options and warrants were higher than the average market price for shares for that period.

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into an agreement with a third party for the disposal of an investment property for a consideration of HK\$52,000,000 which gave rise to a loss of HK\$26,520,000.

The investment properties of the Group were revalued at 30th June, 2003 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. The valuation gave rise to an increase of HK\$9,000,000 which has been credited to the income statement.

The directors have considered the carrying amount of the Group's, hotel properties and furnished suites included in property, plant and equipment at 30th June, 2003 and are of the opinion that the carrying amounts of these properties do not differ significantly from their open market value as at the balance sheet date. Accordingly, no surplus or deficit on valuation in respect of these properties has been recognised in the current period.

9. TRADE AND OTHER RECEIVABLES

Except for an average credit period of 30 to 60 days granted to travel agencies and customers of the hotel and the furnished suites, the Group does not allow any credit period to its customers.

The following is an aged analysis of trade and other receivables at the balance sheet date:

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
0 – 30 days	1,492	2,331
31 – 60 days	27	617
Over 60 days	210	545
	<hr/>	<hr/>
	1,729	3,493
Proceeds on disposal of an investment property receivable	46,800	–
	<hr/>	<hr/>
	48,529	3,493
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date:

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
0 – 30 days	6,027	10,702
31 – 60 days	237	651
Over 60 days	4,312	2,798
	<hr/>	<hr/>
	10,576	14,151
	<hr/> <hr/>	<hr/> <hr/>

11. BANK LOANS

During the period ended 30th June, 2003, the Group obtained new bank loans totalling HK\$16,000,000. The new bank loans, which bear interest at market rates and are repayable within one year, were utilised to finance the construction of the Group's properties and as additional working capital.

12. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2002 and 30th June, 2003	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st January, 2002 and 30th June, 2002	3,353,614	33,536
Exercise of convertible bonds	<u>1,481,736</u>	<u>14,818</u>
At 31st December, 2002	4,835,350	48,354
Exercise of warrants	<u>629,351</u>	<u>6,293</u>
At 30th June, 2003	<u>5,464,701</u>	<u>54,647</u>

During the period, the Company issued 629,350,706 shares of HK\$0.01 each at consideration of HK\$0.035 per share pursuant to the exercise of the conversion rights under the warrants issued by the Company, giving a total cash consideration of HK\$22,027,275.

13. RESERVES

	Share premium HK\$'000	Special capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Securities revaluation reserve HK\$'000	Goodwill on consolidation HK\$'000	Retained profits (loss) HK\$'000	Total HK\$'000
At 1st January, 2002								
– as originally stated	120,865	612,477	2,128	138,406	(51,580)	(923)	210,568	1,031,941
– prior period adjustments (note 2)	–	–	–	(22,145)	–	(44,800)	(3,529)	(70,474)
– as restated	120,865	612,477	2,128	116,261	(51,580)	(45,723)	207,039	961,467
Decrease on revaluation of other securities	–	–	–	–	(2,736)	–	–	(2,736)
Net profit for the period	–	–	–	–	–	–	27,326	27,326
At 30th June, 2002	120,865	612,477	2,128	116,261	(54,316)	(45,723)	234,365	986,057
Decrease on revaluation of properties	–	–	–	(11,012)	–	–	–	(11,012)
Decrease on revaluation of other securities	–	–	–	–	(9,062)	–	–	(9,062)
Deferred taxation arising on revaluation of properties	–	–	–	(1,466)	–	–	–	(1,466)
Issues of shares	74,087	–	–	–	–	–	–	74,087
Impairment loss on other securities recognised in income statement	–	–	–	–	782	–	–	782
Net loss for the period	–	–	–	–	–	–	(18,597)	(18,597)
At 31st December, 2002	194,952	612,477	2,128	103,783	(62,596)	(45,723)	215,768	1,020,789
Increase on revaluation of other securities	–	–	–	–	5,802	–	–	5,802
Deferred taxation arising on change in a tax rate	–	–	–	(1,626)	–	–	–	(1,626)
Issue of shares	15,734	–	–	–	–	–	–	15,734
Share issue expenses	(46)	–	–	–	–	–	–	(46)
Impairment loss on other securities recognised in income statement	–	–	–	–	134	–	–	134
Net loss for the period	–	–	–	–	–	–	(19,249)	(19,249)
At 30th June, 2003	210,640	612,477	2,128	102,157	(56,660)	(45,723)	196,519	1,021,538

The directors do not recommend the payment of an interim dividend in respect of the period (2002: nil).

14. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of property development expenditure as follows:

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Contracted but not provided for in the financial statements	<u>10,530</u>	<u>25,313</u>

15. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the balance sheet date, the bank loan facilities of subsidiaries, which were utilised to the extent of approximately HK\$105 million (31.12.2002: HK\$90 million), were secured by the following:

- guarantees issued by the Company amounted to HK\$210 million (31.12.2002: HK\$210 million);
- properties of the Group together with related assets with an aggregate carrying value of approximately HK\$723 million (31.12.2002: HK\$728 million);
- pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$253 million (31.12.2002: HK\$258 million);
- assignment of the rentals and hotel revenue of a subsidiary; and
- pledge of the listed securities and bank deposits held by subsidiaries with an aggregate carrying value of approximately HK\$56 million (31.12.2002: HK\$50 million) and HK\$3 million (31.12.2002: HK\$3 million) respectively.

16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	Six months ended	
	30.6.2003 HK\$'000	30.6.2002 HK\$'000
Shun Ho Technology Holdings Limited and its subsidiaries		
Interest expenses on advances to the Group (note a)	649	1,369
Rental expenses (note b)	520	520
Web advertising expenses (note b)	144	144
Charges for administrative facilities (note c)	803	830
Interest expenses on convertible bonds	–	2,147
Shun Ho Resources Holdings Limited		
Charges for administrative facilities (note c)	75	75
Associates		
Marketing expenses (note b)	240	240
Interest income (note d)	1,500	1,500
Director		
Interest expenses (note e)	–	118

Notes:

- (a) Shun Ho Technology Holdings Limited (“Shun Ho Technology”) is the Company’s holding company. Shun Ho Resources Holdings Limited is the holding company of Shun Ho Technology.

At 30th June, 2003, the Group had advances due to Shun Ho Technology amounted to HK\$50,888,000 (31.12.2002: HK\$71,093,000) which was unsecured and repayable on demand. The advances carry interest at Hong Kong Inter-bank Offer Rate plus a specific margin.

- (b) The transactions were determined based on terms mutually agreed by the parties concerned.
- (c) The transactions were calculated on a cost reimbursement basis.
- (d) The Group had advances due from an associate, Lucky Country Development Limited, outstanding at 30th June, 2003 amounted to HK\$85,286,000 (31.12.2002: HK\$87,586,000) which were unsecured and repayable on demand. The advances, other than an amount of HK\$60,000,000 (31.12.2002: HK\$60,000,000) which carry interest chargeable at the rate of 5% (2002: 5%) per annum, are interest free.
- (e) Interest was charged at bank fixed deposit rates.

17. POST BALANCE SHEET EVENT

On 6th September, 2003, the Group entered into a provisional sale and purchase agreement with an independent third party for the acquisition of a piece of land for a cash consideration of HK\$230,000,000. Details of this transaction are set out in the announcement made by the Company dated 9th September, 2003.