

Notes to the Financial Statements

For the Year Ended 31st December, 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The principal activities of the Group are investment and operation of hotel and furnished suites, property investment, property development and trading, securities investment and trading, and treasury investment.

The Company’s immediate holding company, Shun Ho Technology Holdings Limited (“Shun Ho Technology”), and intermediate holding company, Shun Ho Resources Holdings Limited (“Shun Ho Resources”), are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company’s ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income Taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred tax. 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 prior year have been restated accordingly.

The financial effects of the change in accounting policy on the consolidated balance sheet are summarised below:

	At 1st January, 2003			At 1st January 2002		
	As originally stated HK\$'000	Prior period adjustments HK\$'000	As restated HK\$'000	As originally stated HK\$'000	Prior period adjustments HK\$'000	As restated HK\$'000
Reserves						
Retained profits	220,835	(5,067)	215,768	210,568	(3,529)	207,039
Other property revaluation reserve	127,394	(23,611)	103,783	138,406	(22,145)	116,261
Goodwill on consolidation dealt with in reserves	(923)	(44,800)	(45,723)	(923)	(44,800)	(45,723)
	<u>347,306</u>	<u>(73,478)</u>	<u>273,828</u>	<u>348,051</u>	<u>(70,474)</u>	<u>277,577</u>
Deferred tax liabilities	<u>–</u>	<u>73,478</u>	<u>73,478</u>	<u>–</u>	<u>70,474</u>	<u>70,474</u>

This change in accounting policy has resulted in a decrease in the profit of the Group for the year ended 31st December, 2003 and the Group’s other property revaluation reserve in respect of that year by HK\$6,402,000 (2002: HK\$1,538,000) and HK\$1,626,000 (2002: HK\$1,466,000) respectively.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant associate except where unrealised losses provide evidence of an impairment of the asset transferred.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement to form part of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Hotel property and furnished suites

Hotel property and furnished suites for short-term lease purposes are stated at their open market value based on an independent professional valuation at the balance sheet date. Any revaluation increase arising on the revaluation of these properties is credited to other property revaluation reserve except when it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of the hotel property or the furnished suites is dealt with as an expense to the extent that it exceeds the balance on reserve relating to a previous revaluation of the same asset.

On disposal of the hotel property or the furnished suites, the balance on other property revaluation reserve attributable to that property is transferred to retained profits.

It is the Group's practice to maintain its hotel property and furnished suites in a continual state of sound repairs and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the properties maintain a residual value at least equal to their carrying value. Repairs and maintenance expenditures are charged to the income statement in the period in which they are incurred.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other property, plant and equipment

Other property, plant and equipment, other than hotel operating equipment, are stated at cost less depreciation and any identified impairment loss.

No depreciation is provided on hotel operating equipment which is included in furniture, fixtures and equipment at historical cost and all subsequent replacements are expensed in the period in which they are incurred. Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles and vessels	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost includes the cost of land, development expenditure, borrowing cost capitalised and other attributable expenses.

Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Inventories

Inventories, representing stocks of food, beverages and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals payable (receivable) under operating leases are charged (credited) to income statement on a straight line basis over their respective lease terms.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Revenue recognition

Revenue from the operation of hotel and furnished suites is recognised when services are rendered.

Rental income in respect of properties under operating leases is recognised and credited to the income statement on a straight line basis over the relevant lease term.

Sales of properties are recognised on the execution of a binding sales agreement.

Sales of investments are recognised when the sale becomes unconditional.

Interest income from bank deposits and loans receivable is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

4. TURNOVER

Turnover represents the aggregate of income from operation of hotel and furnished suites, property rentals, proceeds from sale of properties and trading securities, interest and dividend income, and is analysed as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Income from operation of hotel and furnished suites	32,851	41,189
Property rentals	15,678	20,099
Proceeds from sale of trading securities	14,674	7,166
Proceeds from sale of properties	–	117,247
Interest income from		
A property owning associate	2,400	3,000
Debt securities	1,179	1,179
Dividend income	279	744
	<u>67,061</u>	<u>190,624</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 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:

Revenue and Results

Year ended 31st December, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
TURNOVER					
External	<u>32,851</u>	<u>18,078</u>	<u>–</u>	<u>16,132</u>	<u>67,061</u>
RESULTS					
Segment results	<u>7,274</u>	<u>10,701</u>	<u>–</u>	<u>8,271</u>	26,246
Other income					156
Unallocated corporate expenses less amounts reimbursed by related companies					<u>(14,069)</u>
Profit from operations					12,333
Finance costs					(3,245)
Share of results of associates	(146)	4,017			<u>3,871</u>
Profit before taxation					12,959
Income tax expense					<u>(7,974)</u>
Net profit for the year					<u>4,985</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Balance Sheet

At 31st December, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	809,816	419,785	153,064	54,486	1,437,151
Interests in associates	(239)	93,299	–	–	93,060
Unallocated corporate assets					12,990
					1,543,201
Consolidated total assets					1,543,201
LIABILITIES					
Segment liabilities	7,803	3,835	2,723	91	14,452
Unallocated corporate liabilities					420,884
					435,336
Consolidated total liabilities					435,336

Other Information

Year ended 31st December, 2003

	Hospitality services HK\$'000	Property investment HK\$'000
Capital additions		
– investment properties	–	3,477
– property, plant and equipment	380	334
– properties under development	241,967	–
Depreciation and amortisation	471	67
Loss on disposal of an investment property	–	26,598
	–	26,598

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Revenue and Results

Year ended 31st December, 2002

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
TURNOVER					
External	41,189	23,099	117,247	9,089	190,624
RESULTS					
Segment results	10,939	(4,782)	31,687	(208)	37,636
Other income					82
Unallocated corporate expenses less amounts reimbursed by related companies					(15,607)
Profit from operations					22,111
Finance costs					(8,875)
Share of results of associates	(73)	3,565	–	–	3,492
Profit before taxation					16,728
Income tax expense					(7,999)
Net profit for the year					8,729

Balance Sheet

At 31st December, 2002

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	568,868	474,988	124,414	54,039	1,222,309
Interests in associates	(93)	93,995	–	–	93,902
Unallocated corporate assets					13,196
Consolidated total assets					1,329,407
LIABILITIES					
Segment liabilities	5,018	6,768	4,486	118	16,390
Unallocated corporate liabilities					243,875
Consolidated total liabilities					260,265

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Other Information

Year ended 31st December, 2002

	Hospitality services HK\$'000	Property investment HK\$'000	Securities investment and trading HK\$'000
Capital additions			
Property, plant and equipment	13,333	47	–
Depreciation and amortisation	524	57	–
Decrease on revaluation of investment properties	–	26,900	–
Unrealised loss on trading securities	–	–	1,424
Unrealised loss on other securities	–	–	782
	<u> </u>	<u> </u>	<u> </u>

Geographical Segments

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

	2003 HK\$'000	2002 HK\$'000
Hong Kong	55,401	181,257
Other regions in the People's Republic of China (the "PRC")	11,660	9,367
	<u>67,061</u>	<u>190,624</u>

The following is an analysis of the carrying amount of assets and additions to investment properties, property, plant and equipment and properties under development, analysed by the geographical areas in which the assets are located:

	Carrying amount of assets		Additions to investment properties, property, plant and equipment and properties under development during the year	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment assets				
Hong Kong	1,333,176	1,120,038	274,339	18,010
The PRC	116,965	115,467	380	13,318
Unallocated	93,060	93,902	–	–
	<u>1,543,201</u>	<u>1,329,407</u>	<u>274,719</u>	<u>31,328</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

6. GAIN (LOSS) ON INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Unrealised gain (loss) on trading securities	1,106	(1,424)
Realised gain on other securities	3,001	–
Unrealised loss on other securities	–	(782)
	<u>4,107</u>	<u>(2,206)</u>

7. PROFIT FROM OPERATIONS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	520	457
Staff costs including directors' emoluments	21,889	22,802
Depreciation of property, plant and equipment	737	2,280
Repairs and maintenance	408	505
Realised (gain) loss on trading securities	(2,708)	75
Rental income in respect of investment properties under operating leases, less outgoings of HK\$889,000 (2002: HK\$1,053,000)	(14,789)	(19,046)
Dividends from		
Listed securities	(279)	(704)
Unlisted investments	–	(40)
	<u>–</u>	<u>(40)</u>

8. FINANCE COSTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,306	4,841
Other loans wholly repayable within five years	1,094	2,488
Convertible bonds	–	3,861
Bond issue expenses amortised	–	809
	<u>4,400</u>	<u>11,999</u>
Less: Amount capitalised on properties under development	(1,155)	(3,124)
	<u>3,245</u>	<u>8,875</u>

Borrowing costs capitalised during the year were calculated at the Hong Kong Inter-bank Offer Rate plus a specified margin.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Directors' fees	80	80
Other emoluments		
Salaries and other benefits	4,389	4,089
Contributions to provident fund scheme	36	36
Total emoluments	<u>4,505</u>	<u>4,205</u>

The directors' fees of HK\$80,000 (2002: HK\$80,000) disclosed above were payable to the independent non-executive directors.

The emoluments of directors are within the following bands:

	2003	2002
	Number of directors	Number of directors
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, three (2002: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2002: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	1,000	974
Contributions to provident fund scheme	24	24
	<u>1,024</u>	<u>998</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

10. INCOME TAX EXPENSE

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	943	6,013
Underprovision in prior years	96	52
	<u>1,039</u>	<u>6,065</u>
Deferred tax (note 24):		
Current year	1,798	1,538
Attributable to a change in tax rate	4,324	–
	<u>6,122</u>	<u>1,538</u>
Taxation attributable to the Company and subsidiaries	7,161	7,603
Share of taxation of associates	813	396
	<u>7,974</u>	<u>7,999</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of estimated assessable profit for the year. During the year, the Hong Kong Profits Tax rate was increased from 16% to 17.5% for the year of assessment 2003/04. The effect of this increase has been reflected in the calculation of the current and deferred tax balances at 31st December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit before taxation as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>12,959</u>	<u>16,728</u>
Tax at the domestic income tax rate of 17.5% (2002: 16%)	2,268	2,676
Tax effect of expenses that are not deductible in determining taxable profit	4,805	4,685
Tax effect of income that is not taxable in determining taxable profit	(4,393)	(584)
Tax effect of tax losses not recognised	734	1,422
Utilisation of tax losses previously not recognised	(1,390)	(291)
Effect of a change in tax rate on deferred tax liabilities brought forward	4,324	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	632	754
Underprovision in prior years	96	52
Effect of share of taxation of associates	136	(162)
Others	762	(553)
Tax charge for the year	<u>7,974</u>	<u>7,999</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$4,985,000 (2002: HK\$8,729,000) and on the weighted average of 5,388,833,949 (2002: 3,548,472,566) ordinary shares in issue during the year.

Diluted earnings per share for both years presented are not shown as the exercise prices of the warrants and share options issued/granted by the Company are higher than the average market prices for shares for both years and the conversion of the convertible bonds issued by the Company which were outstanding during the prior year, would be anti-dilutive.

As a result of the change in accounting policy as described in note 2 above, the basic earnings per share for the corresponding comparative prior year has been adjusted as follows:

	HK Cents
Basic earnings per share for the year ended 31st December, 2002	
Reported figure before adjustment	0.29
Adjustment arising from adoption of SSAP 12 (Revised)	(0.04)
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Restated	<u>0.25</u>

12. INVESTMENT PROPERTIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Investment properties in Hong Kong, at valuation		
At beginning of the year	473,700	500,600
Additions	3,477	–
Disposals	(78,000)	–
Revaluation increase (decrease)	19,023	(26,900)
	<hr/>	<hr/>
At end of the year	<u>418,200</u>	<u>473,700</u>

An analysis of the Group's investment properties is as follows:

	2003	2002
	HK\$'000	HK\$'000
Land and buildings in Hong Kong on land held on		
Long leases	383,400	364,000
Medium-term leases	34,800	109,700
	<hr/>	<hr/>
	<u>418,200</u>	<u>473,700</u>

The investment properties of the Group were revalued at 31st December, 2003 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. This valuation gave rise to a revaluation increase of HK\$19,023,000 (2002: revaluation decrease of HK\$26,900,000) which has been dealt with in the income statement.

The investment properties of the Group with an aggregate carrying value of approximately HK\$386 million (2002: HK\$446 million) were rented out under operating leases at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel property and furnished suites <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1st January, 2003	560,000	15,811	16,745	592,556
Additions	–	719	–	719
At 31st December, 2003	560,000	16,530	16,745	593,275
Comprising:				
At cost	–	16,530	16,745	33,275
At valuation	560,000	–	–	560,000
	560,000	16,530	16,745	593,275
DEPRECIATION				
At 1st January, 2003	–	10,101	15,966	26,067
Provided for the year	–	392	345	737
At 31st December, 2003	–	10,493	16,311	26,804
NET BOOK VALUES				
At 31st December, 2003	<u>560,000</u>	<u>6,037</u>	<u>434</u>	<u>566,471</u>
At 31st December, 2002	<u>560,000</u>	<u>5,710</u>	<u>779</u>	<u>566,489</u>

The following is an analysis of the carrying amount of the Group's hotel property and furnished suites:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Properties on land held under medium-term leases		
Hotel property in Hong Kong	450,000	450,000
Furnished suites in the PRC	110,000	110,000
	<u>560,000</u>	<u>560,000</u>

The Group's hotel property and furnished suites are carried at their open market value, on an existing use basis, at 31st December, 2003, as valued by Dudley Surveyors Limited, an independent firm of property valuers.

Had the Group's hotel property and furnished suites not been revalued, it would have been included in the financial statements at the historical cost of approximately HK\$432,600,000 (2002: HK\$432,600,000).

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1st January, 2003	96	2,658	2,754
Additions	5	–	5
	<u>101</u>	<u>2,658</u>	<u>2,759</u>
At 31st December, 2003			
DEPRECIATION			
At 1st January, 2003	58	2,400	2,458
Provided for the year	16	70	86
	<u>74</u>	<u>2,470</u>	<u>2,544</u>
At 31st December, 2003			
NET BOOK VALUES			
At 31st December, 2003	<u>27</u>	<u>188</u>	<u>215</u>
At 31st December, 2002	<u>38</u>	<u>258</u>	<u>296</u>

14. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost		
At beginning of the year	124,414	106,470
Additions	270,523	17,944
Transferred to properties for sale on completion	(152,970)	–
	<u>241,967</u>	<u>124,414</u>
At end of the year		

An analysis of the Group's properties under development is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties in Hong Kong on		
Long leases	241,967	–
Medium-term leases	–	124,414
	<u>241,967</u>	<u>124,414</u>

Included in the carrying amounts of the properties are interest expenses of HK\$63,000 (2002: HK\$14,613,000) capitalised.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	112,521	115,021
Amounts due from subsidiaries less allowance	857,317	839,593
	<u>969,838</u>	<u>954,614</u>

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current assets.

Particulars regarding the principal subsidiaries at 31st December, 2003 are set out in note 32.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Unlisted associates		
Share of net assets	8,274	6,316
Amount due from an associate	84,786	87,586
	<u>93,060</u>	<u>93,902</u>

The amount due from an associate is unsecured with no fixed repayment terms. Such amount to the extent of HK\$60,000,000 (2002: HK\$60,000,000) carries interest at a rate of 3% to 5% (2002: 5%) per annum and the remaining balance is interest free. Repayment of the amount will not be demanded within one year from the balance sheet date, accordingly, the amount is classified as a non-current asset.

Particulars regarding the associates at 31st December, 2003 are set out in note 33.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

16. INTERESTS IN ASSOCIATES (Continued)

The following financial information is prepared from the financial statements of a significant associate, Lucky Country Development Limited.

Operating results

	Year ended 31st December,	
	2003	2002
	HK\$'000	HK\$'000
Turnover	<u>15,542</u>	<u>15,536</u>
Profit from ordinary activities before taxation	<u>8,042</u>	<u>7,130</u>
Profit from ordinary activities before taxation attributable to the Group	<u>4,021</u>	<u>3,565</u>

Financial position

	At 31st December,	
	2003	2002
	HK\$'000	HK\$'000
Non-current asset		
Investment property	185,000	185,000
Current assets	389	385
Current liabilities	(668)	(1,204)
Non-current liabilities		
Amounts due to shareholders	(167,371)	(171,607)
Other liabilities	(560)	–
Net assets	<u>16,790</u>	<u>12,574</u>
Net assets attributable to the Group	<u>8,395</u>	<u>6,287</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

17. INVESTMENTS IN SECURITIES

	THE GROUP				THE COMPANY	
	Other securities (non-current)		Trading securities (current)		Other securities (non-current)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Listed securities at market value						
Equity securities listed:						
In Hong Kong	29,268	21,006	1,192	8,728	-	-
Outside Hong Kong	-	1,077	-	-	-	-
Debt securities listed outside Hong Kong	-	-	22,767	21,971	-	-
Unlisted investments at fair value	780	780	-	-	780	780
	30,048	22,863	23,959	30,699	780	780

The Group's non-current equity securities listed in Hong Kong include approximately 15.59% (2002: 15.59%) interest in Shun Ho Technology and approximately 20.57% (2002: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong. The principal activities of Shun Ho Technology and Shun Ho Resources and their respective subsidiaries are investment and operation of hotel and furnished suites, property investment, property development and trading, securities investment and trading, and treasury operation.

The Company is a subsidiary of Shun Ho Technology and Shun Ho Resources. Under the Companies Ordinance, members of the Group who are shareholders of Shun Ho Technology and Shun Ho Resources have no right to vote at meetings of these companies.

The directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Resources, accordingly, the results of Shun Ho Resources have not been accounted for on an equity basis.

18. 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 other customers.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	1,737	2,331
31 – 60 days	69	617
Over 60 days	173	545
	1,979	3,493

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

19. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	9,488	10,702
31 – 60 days	263	651
Over 60 days	4,538	2,798
	<u>14,289</u>	<u>14,151</u>

20. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2003 and 2002	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st January, 2002	3,353,614	33,536
Issued upon conversion of convertible bonds	1,481,736	14,817
At 31st December, 2002	4,835,350	48,353
Issued upon exercise of warrants (note 21)	629,351	6,294
At 31st December, 2003	<u>5,464,701</u>	<u>54,647</u>

21. WARRANTS

At 31st December, 2002, a total of 644,713,356 units of warrants issued by the Company were outstanding. The warrants, which carried an aggregate subscription right of HK\$22,564,967, entitled the holders thereof to subscribe for shares in the Company at the subscription price of HK\$0.035 per share during the three months period commencing from 14th November, 2002.

During the year, 629,350,706 units of warrants, which were held by Shun Ho Technology and its subsidiary, were exercised at a price of HK\$0.035 per share, resulting in the issuance of 629,350,706 shares of HK\$0.01 each by the Company at the total cash consideration of approximately HK\$22 million. The remaining warrants not exercised had lapsed.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

22. 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 HK\$'000	Total HK\$'000
THE GROUP								
At 1st January, 2002								
– as originally stated	120,865	612,477	2,128	138,406	(51,580)	(923)	210,568	1,031,941
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	(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
Issue of shares	74,087	–	–	–	–	–	–	74,087
Net decrease on revaluation of Properties	–	–	–	(11,012)	–	–	–	(11,012)
Securities	–	–	–	–	(11,798)	–	–	(11,798)
Deferred tax liability arising on revaluation of properties	–	–	–	(1,466)	–	–	–	(1,466)
Unrealised loss on other securities charged to income	–	–	–	–	782	–	–	782
Net profit for the year	–	–	–	–	–	–	8,729	8,729
At 31st December, 2002	194,952	612,477	2,128	103,783	(62,596)	(45,723)	215,768	1,020,789
Issue of shares	15,734	–	–	–	–	–	–	15,734
Share issue expenses	(46)	–	–	–	–	–	–	(46)
Increase on revaluation of securities	–	–	–	–	13,382	–	–	13,382
Deferred tax liability arising on a change in tax rate	–	–	–	(1,626)	–	–	–	(1,626)
Net profit for the year	–	–	–	–	–	–	4,985	4,985
At 31st December, 2003	<u>210,640</u>	<u>612,477</u>	<u>2,128</u>	<u>102,157</u>	<u>(49,214)</u>	<u>(45,723)</u>	<u>220,753</u>	<u>1,053,218</u>

The property revaluation reserves are not distributable to shareholders until they are realised.

Included in the reserves of the Group are the Group's share of investment property revaluation reserve and retained profits of associates amounted to HK\$2,128,000 (2002: HK\$2,128,000) and HK\$6,249,000 (2002: HK\$4,291,000) respectively.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

22. RESERVES (Continued)

	Share premium <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2002	120,865	612,477	62,513	795,855
Issue of shares	74,087	–	–	74,087
Net loss for the year	–	–	(4,040)	(4,040)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2002	194,952	612,477	58,473	865,902
Issue of shares	15,734	–	–	15,734
Share issue expenses	(46)	–	–	(46)
Net profit for the year	–	–	29,665	29,665
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	<u>210,640</u>	<u>612,477</u>	<u>88,138</u>	<u>911,255</u>

When sanctioning the reduction in the nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled at 31st December, 2003, accordingly the special capital reserve was not considered distributable.

The Company's reserves available for distribution to shareholders as at 31st December, 2003 comprised the retained profits of HK\$88,138,000 (2002: HK\$58,473,000). The directors do not recommend the payment of a dividend in respect of the year (2002: Nil).

23. LONG TERM BANK LOANS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans repayable between two and five years	<u>123,625</u>	<u>–</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

24. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Hotel property (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
At 1 January 2002				
– as originally stated	–	–	–	–
– prior period adjustments (Note 2)	3,529	22,145	44,800	70,474
	<u>3,529</u>	<u>22,145</u>	<u>44,800</u>	<u>70,474</u>
– as restated	3,529	22,145	44,800	70,474
Charge to income statement	1,538	–	–	1,538
Charge to equity	–	1,466	–	1,466
	<u>–</u>	<u>1,466</u>	<u>–</u>	<u>1,466</u>
At 31st December, 2002	5,067	23,611	44,800	73,478
Charge to income statement	1,798	–	–	1,798
Effect of a change in tax rate				
– charge to income statement	1,609	–	2,715	4,324
– charge to equity	–	1,626	–	1,626
	<u>1,609</u>	<u>1,626</u>	<u>2,715</u>	<u>4,324</u>
At 31st December, 2003	<u>8,474</u>	<u>25,237</u>	<u>47,515</u>	<u>81,226</u>

Note: The deferred tax liability on the hotel property is attributable to the excess of the carrying amount of the property, which is held by a subsidiary, over its tax base at the time when the subsidiary was acquired by the Group.

At the balance sheet date, the Group has unused tax losses of HK\$37,455,000 (2002: HK\$41,203,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Substantially all the unrecognised tax losses may be carried forward indefinitely.

25. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

26. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(a) Consideration for the acquisition of a property contracted but not provided for in the financial statements	<u>13,110</u>	<u>–</u>
(b) Property development expenditure contracted but not provided for in the financial statements	<u>–</u>	<u>25,313</u>

The Company had no material commitments at the balance sheet date.

27. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$15,678,000 (2002: HK\$20,099,000). The properties under leases have committed tenants for one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	10,635	13,308
In the second to fifth year inclusive	<u>3,575</u>	<u>9,242</u>
	<u>14,210</u>	<u>22,550</u>

The Group as lessee

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Minimum lease payments for office premises paid under operating leases during the year	<u>1,201</u>	<u>1,238</u>

The Company had no material lease commitments outstanding at the balance sheet date.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

28. 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\$283 million (2002: HK\$90 million), were secured by the following:

- (a) guarantees issued by the Company amounted to approximately HK\$624 million (2002: HK\$210 million);
- (b) hotel property and other properties of the Group with carrying amounts of HK\$450 million (2002: HK\$450 million) and HK\$530 million (2002: HK\$278 million) respectively;
- (c) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$316 million (2002: HK\$258 million);
- (d) assignment of the rentals and hotel revenue of a subsidiary; and
- (e) pledge of listed securities and bank deposits held by subsidiaries with a carrying amount of approximately HK\$49 million (2002: HK\$50 million) and HK\$126,000 (2002: HK\$2,860,000) respectively.

29. SHARE OPTION SCHEME

The Company's share option scheme, which was adopted pursuant to a resolution passed on 27th September, 1990 for the primary purpose of providing incentives to directors and eligible employees, had expired on 27th September, 2000.

The options outstanding at 31st December, 2002, which were granted to a director on 29th June, 1994, to subscribe for 43,799,524 ordinary shares at the subscription price of HK\$0.2 per share, exercisable on or before 29th June, 2004, were cancelled during the year.

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. Assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The total cost charged to income of HK\$962,000 (2002: HK\$964,000) represents contributions payable to the schemes by the Group in respect of the current accounting period. The forfeited contributions under the Group's defined contribution retirement scheme which had been suspended are immaterial.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

31. RELATED PARTY TRANSACTIONS

Other than those disclosed above, during the year, the Group had the following transactions with related parties:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Shun Ho Technology and its subsidiaries		
Rental expenses (<i>note a</i>)	1,040	1,040
Interest expenses on advances to the Group (<i>note b</i>)	1,094	2,370
Interest expenses on convertible bonds (<i>note c</i>)	–	3,761
Corporate management fees for administrative facilities received (<i>note d</i>)	1,532	1,400
Web advertising expenses (<i>note a</i>)	288	288
Advances due by the Group at end of the year (<i>note b</i>)	51,732	71,093
Trade balance due to the Group at end of the year (<i>note e</i>)	476	140
Shun Ho Resources		
Corporate management fees for administrative facilities received (<i>note d</i>)	150	75
Trade balance due to the Group at end of the year (<i>note e</i>)	496	296
Associates		
Marketing expenses (<i>note a</i>)	480	480
Interest income (<i>note f</i>)	2,400	3,000
Trade balance due to the Group at end of the year (<i>note e</i>)	298	7
Balances due to the Group at end of the year (<i>note f</i>)	<u>84,786</u>	<u>87,586</u>

Notes:

- (a) The transactions were determined based on terms mutually agreed by the parties concerned.
- (b) The advances to the Group, which are unsecured and carry interest at Hong Kong Inter-bank Offer Rate plus a specified margin, are repayable on demand.
- (c) The interest was paid on the 5% convertible bonds issued by the Company which were held by Shun Ho Technology and its subsidiaries.
- (d) The transactions were calculated on a cost reimbursement basis.
- (e) The amounts are unsecured, interest free and repayable on demand.
- (f) The advances due from Lucky Country Development Limited, an associate, are unsecured with no fixed repayment terms. The advances, other than an amount of HK\$60,000,000 (2002: HK\$60,000,000) which carry interest chargeable at the rate of 3% to 5% (2002: 5%) per annum, are interest free.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2003 or at any time during the year.

Name of subsidiary	Paid up issued/ registered ordinary share capital		Proportion of nominal value of issued capital held by		Principal activities
	Number of shares	Par value	Company %	Subsidiary %	
Babenna Limited	2	HK\$10	100	–	Investment holding
Claymont Services Limited (i)	1	US\$1	100	–	Investment holding
City Wealth Limited	2	HK\$1	–	100	Property investment
Gainwell Holdings Limited	2	HK\$1	–	100	Property investment
Harbour Rich Industrial Limited	10,000	HK\$1	–	100	Property development
Houston Venture Limited (i)	1	US\$1	100	–	Investment holding
Joes River Limited	2	HK\$1	100	–	Property investment
Joligance Limited	2	HK\$1	100	–	Investment holding
Longham Investment Limited (i)	1	US\$1	–	100	Investment holding
Magnificent International Hotel Limited	2	HK\$1	100	–	Property investment
Mercury Fast Limited	2	HK\$1	100	–	Securities dealings and investment holding
New Champion Developments Limited (i)	1	US\$1	–	100	Vessel leasing
Shanghai Shun Ho (Lands Development) Limited (i)	1	US\$1	100	–	Investment holding
Shanghai Shun Ho Property Development Co., Ltd. (ii)	Registered capital	US\$4,950,000	–	100	Investment in and operation of furnished suites
Shun Ho Capital Properties Limited (i)	1	US\$1	100	–	Investment holding
Silver Courage Company Limited	2	HK\$10	100	–	Property investment
Tennyland Limited	2	HK\$10	–	100	Property Investment
Trans-Profit Limited	1,000,000	HK\$1	–	100	Property investment
United Assets Company Limited	2,000,000	HK\$1	–	100	Hotel investment and investment holding

(i) Incorporated in the British Virgin Islands

(ii) Wholly foreign owned enterprise established and operating principally in the PRC

The directors are of the opinion that a complete list of the subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

33. PARTICULARS OF ASSOCIATES

All the associates are incorporated and operating in Hong Kong.

Name of company	Proportion of nominal value of issued ordinary capital held by		Principal activities
	Company %	Subsidiary %	
Lucky Country Development Limited	–	50	Property investment
Shun Ho Real Estate Limited	50	–	Provision of hospitality services
Beautiful Sky Investment Limited	50	–	Inactive

34. POST BALANCE SHEET EVENTS

- (a) In December, 2003, the Group entered into an agreement with an independent third party for the acquisition of a property for a cash consideration of HK\$13,800,000. The acquisition was completed subsequent to the balance sheet date.
- (b) Subsequent to the balance sheet date, the Group disposed of an investment property to an independent third party for a cash consideration of HK\$31,660,000 which is above the carrying amount of the property.