

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



Interim Report 2004  
二 零 零 四 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 profit after taxation of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2004 amounted to approximately HK\$8,981,000 (30/6/2003: loss of approximately HK\$19,249,000).

The results of the Group for the six months ended 30th June, 2004 and its financial position as at that date are set out in the condensed financial statements on pages 7 to 18 of this report.

### **INTERIM DIVIDEND**

Due to the large capital investments in the coming future and the outstanding bank loans, the Board has decided not to declare an interim dividend for the six months ended 30th June, 2004 (30/6/2003: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial period under review, the Group continued with its operations of property investment, development and leasing, investment in and operation of hotel and furnished suites and investment holding.

The increase in turnover was due to the increase in revenue derived from the hotel business during the period. The increase in net profit was mainly due to the increase in inbound visitors which has a positive impact on occupancies and room rates.

Operating income from the Ramada Hotel Kowloon increased as the effect of the SARS diseases has faded away in the first half of the year. The average occupancy rate of the hotel for the period was approximately 85% and the room rate was in line with the hotel market. Planning is made to increase the number of rooms of the hotel from 205 to about 305.

The acquisition of the hotel property at No. 308 Des Voeux Road West, Hong Kong was completed in June 2004. The total area of the building is about 160,000 square feet and will comprise a total of 319 guest-rooms, a restaurant and banquet facilities. The hotel is scheduled for opening in late 2004.

Construction of the hotel development site at No. 633 King’s Road, North Point is progressing on schedule, the podium floors will be completed before the Chinese New Year 2005. The site will be developed into a 4-star hotel.

In Shanghai PRC, the Magnificent International Hotel at Xizang Road has continued to contribute profit to the Group.

In March 2004, the Group completed the sale of House No. 23 Las Pinadas at No. 33 Shouson Hill Road for a consideration of HK\$31.7 million which generated a profit to the Group.

The development of Villa Royale, the Group’s 34 town houses at Ho Chung, was completed in late 2003. The sale of the development properties has been launched in August and is expected to contribute development profit for the financial year 2005.

Also in March 2004, the Group completed the acquisition of a luxurious residential development site of about 10,000 square feet at So Kun Wat, Tuen Mun, N.T. for a consideration of HK\$13.8 million.

As to property leasing, the Group's investment properties maintained an overall occupancy of approximately 90% during the period.

At 30th June, 2004, gearing of the Group in terms of external bank borrowings on funds employed increased to around 43%. The increase was mainly due to the increase of secured bank loans which were utilised to finance the acquisition of a hotel property. The Group's 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 were no significant changes in the Group's staffing level and remuneration and benefit were set with reference to the market.

Looking ahead, the Board considers that the economic recovery in Hong Kong is well on its way. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong helps stimulate further recovery. It is envisaged that the hotel business should further improve during the rest of the year, confirming the Group's correct strategy to build up a portfolio of prime 4-star hotels in Hong Kong and major cities of China. The recent rising property prices also add momentum to the Hong Kong business environment. The Group will continue to acquire quality residential development sites should the opportunity arises. As a whole, the Group will take a cautious 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, 2004, 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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of Shares held</b>	<b>Approximate % of shareholding</b>
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,781,883,239 (Note)	69.2
Fung Chi Keung	Beneficial owner	Personal	2,000	0.00004

*Note:*

Shun Ho Technology Holdings Limited and its subsidiaries, South Point Investments Limited, Good Taylor Limited and Shun Ho Technology Developments Limited, beneficially owned 3,414,444,905 shares, 273,579,983 shares, 90,358,351 shares and 3,500,000 shares of the Company respectively, representing 62.5%, 5.0%, 1.7% and 0.06% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these companies.

### **Associated corporations**

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Approximate % of shareholding</b>
William Cheng Kai Man	Shun Ho Technology Holdings Limited ( <i>Note 1</i> )	Interest of controlled corporations	Corporate	350,628,682	65.3
William Cheng Kai Man	Shun Ho Resources Holdings Limited ( <i>Note 2</i> )	Interest of controlled corporations	Corporate	216,608,825	71.2
William Cheng Kai Man	Trillion Resources Limited ( <i>Note 3</i> )	Beneficial owner	Personal	1	100
Fung Chi Keung	Shun Ho Technology Holdings Limited	Beneficial owner	Personal	2,000	0.0004
Fung Chi Keung	Shun Ho Resources Holdings Limited	Beneficial owner	Personal	2,000	0.0007

*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.

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, 2004, 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 the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the 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, 2004, 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 ("South Point")	Beneficial owner	273,579,983	5.0
Shun Ho Technology Holdings Limited ("Shun Ho Technology") (Note 1)	Beneficial owner and interest of controlled corporations	3,781,883,239	69.2
Omnico Company Inc. ("Omnico") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Trillion Resources Limited ("Trillion") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Liza Lee Pui Ling (Note 3)	Interest of spouse	3,781,883,239	69.2

### Notes:

1. Shun Ho Technology beneficially owned 3,414,444,905 shares of the Company (the "Shares") and was taken to be interested in 273,579,983 Shares held by South Point, 90,358,351 Shares held by Good Taylor Limited and 3,500,000 shares held by Shun Ho Technology Development Limited, all of which are wholly-owned subsidiaries of Shun Ho Technology.
2. Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, which is in turn owned as to 100% by Shun Ho Resources, which is in turn directly and indirectly owned as to 71.2% by Trillion, which is in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trillion were taken to be interested in 3,781,883,239 Shares by virtue of their direct and indirect interests in Shun Ho Technology.
3. Madam Liza Lee Pui Ling was deemed to be interested in 3,781,883,239 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 with management the accounting policies adopted by the Group and discussed 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, 17th September, 2004

## INDEPENDENT REVIEW REPORT

# Deloitte.

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### 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 18.

### 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 Institute of Certified Public 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 opinion, 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 Institute of Certified Public 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, 2004.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
17th September, 2004

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

		<b>Six months ended</b>	
		<b>30.6.2004</b>	30.6.2003
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>37,951</b>	27,202
Cost of sales		<b>(8,130)</b>	(4,645)
Other service costs		<b>(12,734)</b>	(11,410)
		<b>17,087</b>	11,147
Unrealised holding gain on trading securities		<b>438</b>	427
Other operating income		<b>1,449</b>	1,891
Administrative expenses		<b>(9,043)</b>	(8,859)
Gain (loss) on disposal of an investment property	9	<b>1,323</b>	(26,520)
Increase on revaluation of investment properties		<b>–</b>	9,000
Profit (loss) from operations	5	<b>11,254</b>	(12,914)
Finance costs	6	<b>(2,029)</b>	(1,564)
Share of profits of associates		<b>2,263</b>	1,554
Profit (loss) from ordinary activities before taxation		<b>11,488</b>	(12,924)
Income tax expense	7	<b>(2,507)</b>	(6,325)
Net profit (loss) for the period		<b>8,981</b>	(19,249)
		<b>HK Cents</b>	<i>HK Cents</i>
Earnings (loss) per share	8		
Basic		<b>0.16</b>	(0.36)



## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2004

	<i>Notes</i>	<b>30.6.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2003 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Investment properties	9	388,200	418,200
Property, plant and equipment	9	931,634	566,471
Properties under development		246,168	241,967
Interests in associates		92,724	93,060
Investments in securities		49,073	30,048
		<b>1,707,799</b>	1,349,746
<b>Current Assets</b>			
Inventories		414	406
Properties for sale		170,947	152,970
Investments in securities		23,462	23,959
Trade and other receivables	10	1,488	1,979
Deposits and prepayments		2,292	1,826
Trade balances due from shareholders		1,175	972
Trade balances due from associates		377	298
Pledged bank deposits	16	150	126
Bank balances and cash		8,489	10,919
		<b>208,794</b>	193,455
<b>Current Liabilities</b>			
Trade and other payables	11	8,921	14,289
Rental and other deposits received		3,758	3,682
Advance from a shareholder	17(a)	193,894	51,732
Tax liabilities		1,598	1,119
Bank loans, secured	12	167,897	159,663
		<b>376,068</b>	230,485
<b>Net Current Liabilities</b>		<b>(167,274)</b>	(37,030)
		<b>1,540,525</b>	1,312,716
<b>Capital and Reserves</b>			
Share capital	13	54,647	54,647
Reserves	14	1,081,224	1,053,218
		<b>1,135,871</b>	1,107,865
<b>Non-current Liabilities</b>			
Long term bank loans, secured	12	322,505	123,625
Deferred tax liabilities		82,149	81,226
		<b>404,654</b>	204,851
		<b>1,540,525</b>	1,312,716

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2004*

	<b>Total equity</b> <i>HK\$'000</i> (Unaudited)
At 1st January, 2003	1,069,142
Increase on revaluation of securities	5,802
Deferred tax liability arising on a change in tax rate	(1,626)
Net gains not recognised in the income statement	4,176
Net loss for the period	(19,249)
Impairment loss on securities charged to the income statement	134
Issue of shares less issue expenses	21,982
At 30th June, 2003	<u>1,076,185</u>
At 1st January, 2004	1,107,865
Increase on revaluation of securities not recognised in the income statement	19,025
Net profit for the period	8,981
At 30th June, 2004	<u><u>1,135,871</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2004*

	<b>Six months ended</b>	
	<b>30.6.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2003 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	<b>(13,891)</b>	(227)
Net cash used in investing activities	<b>(335,619)</b>	(12,901)
Net cash from financing activities	<b>347,080</b>	14,514
Net (decrease) increase in cash and cash equivalents	<b>(2,430)</b>	1,386
Cash and cash equivalents at beginning of the period	<b>10,919</b>	8,818
Cash and cash equivalents at end of the period	<b>8,489</b>	10,204
Analysis of cash and cash equivalents		
Bank balances and cash	<b>8,489</b>	10,204

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2004**

**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 No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

**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, 2003.

**3. TURNOVER**

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$’000</b>	HK\$’000
Income from operation of hotel and furnished suites	<b>21,755</b>	12,721
Property rentals	<b>6,607</b>	8,244
Proceeds from sale of trading securities	<b>8,097</b>	3,890
Interest from		
A property owning associate	<b>900</b>	1,500
Debt securities	<b>588</b>	584
Dividends from listed securities	<b>4</b>	263
	<u><b>37,951</b></u>	<u>27,202</u>

**4. SEGMENT INFORMATION**

**Business segments**

The Group’s primary format for reporting segment information is business segment. The turnover and contribution to Group results in respect of the interim periods were derived from the following business segments:

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

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Segment information about these businesses is presented below:

Six months ended 30th June, 2004

	Hospitality services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External	<u>21,755</u>	<u>7,507</u>	<u>8,689</u>	<u>37,951</u>
SEGMENT RESULTS				
Operations	7,792	7,273	1,819	16,884
Gain on disposal of investment property	<u>–</u>	<u>1,323</u>	<u>–</u>	<u>1,323</u>
	<u>7,792</u>	<u>8,596</u>	<u>1,819</u>	18,207
Other income				154
Unallocated corporate expenses less amounts reimbursed by holding companies				<u>(7,107)</u>
Profit from operations				11,254
Finance costs				(2,029)
Share of results of associates	(37)	2,300	–	<u>2,263</u>
Profit from ordinary activities before taxation				<u>11,488</u>

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>				
External	12,721	9,744	4,737	27,202
<b>SEGMENT RESULTS</b>				
Operations	333	9,930	1,090	11,353
Loss on disposal of investment property	–	(26,520)	–	(26,520)
Increase on revaluation of investment properties	–	9,000	–	9,000
	<u>333</u>	<u>(7,590)</u>	<u>1,090</u>	<u>(6,167)</u>
Other income				11
Unallocated corporate expenses less amounts reimbursed by holding 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 from ordinary activities before taxation				<u>(12,924)</u>

##### Geographical segments

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

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>31,855</b>	22,398
Other regions in the People's Republic of China	<b>6,096</b>	4,804
	<u><b>37,951</b></u>	<u>27,202</u>

## 5. PROFIT (LOSS) FROM OPERATIONS

	Six months ended	
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	360	388
Gain on disposal of property, plant and equipment	153	–
Impairment loss on other securities	–	134
	<u>          </u>	<u>          </u>

## 6. FINANCE COSTS

	Six months ended	
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	2,188	1,649
Advance from a shareholder	393	649
	<u>          </u>	<u>          </u>
	2,581	2,298
Less: Amount capitalised on properties under development	(552)	(734)
	<u>          </u>	<u>          </u>
	2,029	1,564
	<u>          </u>	<u>          </u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	1,086	561
	<u>          </u>	<u>          </u>
Deferred tax		
Current period	923	1,230
Attributable to a change in tax rate	–	4,324
	<u>          </u>	<u>          </u>
	923	5,554
	<u>          </u>	<u>          </u>
Taxation attributable to the Company and subsidiaries	2,009	6,115
Share of taxation of associates	498	210
	<u>          </u>	<u>          </u>
	2,507	6,325
	<u>          </u>	<u>          </u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2003: 17.5%) of the estimated assessable profits for the period.

## 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings/loss per share is based on the net profit for the period of HK\$8,981,000 (six months ended 30.6.2003: net loss of HK\$19,249,000) and on the weighted average of 5,464,700,883 (six months ended 30.6.2003: 5,311,709,551) ordinary shares in issue during the period.

Diluted earnings per share for the current period is not shown as there is no potential ordinary share outstanding throughout the period.

Diluted earnings per share is not shown for the prior period 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 that period.

## 9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Included in property, plant and equipment is a hotel property acquired during the period from a third party for a consideration of HK\$350,000,000. Details of the terms of this acquisition have been set out in the circular dated 5th June, 2004 issued by the Company.

The expenditure on renovation of the hotel property acquired during the period, which was not yet contracted for as at the balance sheet date, is estimated to be in the region of HK\$25 million.

During the period, the Group disposed of an investment property for a consideration of HK\$31,660,000 which gave rise to a gain of approximately HK\$1,323,000.

The directors have considered the carrying amounts of the Group's hotel properties and furnished suites and investment properties at 30th June, 2004 and are of the opinion that the carrying amounts of these properties do not differ significantly from their open market value as at that date. Accordingly, no surplus or deficit on revaluation of these properties has been recognised in the current period.

## 10. 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:

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
0- 30 days	<b>1,268</b>	1,737
31-60 days	<b>89</b>	69
Over 60 days	<b>131</b>	173
	<hr/> <b>1,488</b> <hr/>	<hr/> 1,979 <hr/>



## 11. TRADE AND OTHER PAYABLES

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

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
0-30 days	4,553	9,488
31-60 days	570	263
Over 60 days	<u>3,798</u>	<u>4,538</u>
	<u><b>8,921</b></u>	<u>14,289</u>

## 12. BANK LOANS, SECURED

During the period, the Group obtained new bank loans totalling HK\$263,000,000. A substantial portion of the new bank loans, which bear interest at prevailing market rates, was utilised to finance the acquisition of a hotel property during the period.

## 13. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Nominal value</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>		
<i>Authorised:</i>		
At 1st January, 2003 and 30th June, 2004	<u>80,000,000</u>	<u>800,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2003	4,835,350	48,353
Issued upon exercise of warrants	<u>629,351</u>	<u>6,294</u>
At 30th June, 2003 and 2004	<u>5,464,701</u>	<u>54,647</u>

There was no change in the Company's share capital during the six months ended 30th June, 2004.

## 14. RESERVES

	Share premium <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Securities revaluation reserve <i>HK\$'000</i>	Goodwill on consolidation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	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	-	-	-	-	5,802	-	-	5,802
Impairment loss on securities charged to income statement	-	-	-	-	134	-	-	134
Deferred tax liability arising on a change in tax rate	-	-	-	(1,626)	-	-	-	(1,626)
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
Increase on revaluation of securities	-	-	-	-	7,446	-	-	7,446
Net profit for the period	-	-	-	-	-	-	24,234	24,234
At 31st December, 2003	210,640	612,477	2,128	102,157	(49,214)	(45,723)	220,753	1,053,218
Increase on revaluation of securities	-	-	-	-	19,025	-	-	19,025
Net profit for the period	-	-	-	-	-	-	8,981	8,981
At 30th June, 2004	<u>210,640</u>	<u>612,477</u>	<u>2,128</u>	<u>102,157</u>	<u>(30,189)</u>	<u>(45,723)</u>	<u>229,734</u>	<u>1,081,224</u>

The directors do not recommend the payment of an interim dividend in respect of the current period (2003: Nil).

## 15. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments as follows:

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Contracted but not provided for in the financial statements:		
Property development expenditure	<u><b>4,811</b></u>	<u>-</u>
Consideration for the acquisition of a property	<u>-</u>	<u>13,110</u>

## 16. 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\$490 million (31.12.2003: HK\$283 million), were secured by the following:

- guarantees issued by the Company amounted to HK\$824 million (31.12.2003: HK\$624 million);
- hotel properties and other properties of the Group with carrying amounts of HK\$814 million (31.12.2003: HK\$450 million) and HK\$543 million (31.12.2003: HK\$530 million) respectively;
- pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$296 million (31.12.2003: HK\$316 million);
- assignment of the rentals and hotel revenue of a subsidiary; and
- pledge of the listed securities and bank deposits held by subsidiaries with carrying amounts of approximately HK\$65 million (31.12.2003: HK\$49 million) and HK\$150,000 (31.12.2003: HK\$126,000) respectively.

## 17. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	HK\$'000
Shun Ho Technology Holdings Limited and its subsidiaries		
Interest expenses on advances to the Group ( <i>Note a</i> )	<b>393</b>	649
Rental expenses ( <i>Note b</i> )	<b>520</b>	520
Web advertising expenses ( <i>Note b</i> )	<b>144</b>	144
Corporate management fees received for administrative facilities provided ( <i>Note c</i> )	<b>802</b>	803
Shun Ho Resources Holdings Limited		
Corporate management fees received for administrative facilities provided ( <i>Note c</i> )	<b>75</b>	75
Associates		
Marketing expenses ( <i>Note b</i> )	<b>240</b>	240
Interest income ( <i>Note d</i> )	<b>900</b>	1,500
	<b>900</b>	1,500

### Notes:

- (a) Shun Ho Technology Holdings Limited ("Shun Ho Technology") is the Company's immediate holding company. Shun Ho Resources Holdings Limited is the holding company of Shun Ho Technology.

At 30th June, 2004, the Group had outstanding advances due to Shun Ho Technology amounted to HK\$193,894,000 (31.12.2003: HK\$51,732,000) which is unsecured and repayable on demand. The advances carry interest at Hong Kong Inter-bank Offer Rate plus a specified 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, 2004 amounted to approximately HK\$85,186,000 (31.12.2003: HK\$84,786,000) which were unsecured with no fixed repayment terms. The advances, other than an amount of HK\$60,000,000 (31.12.2003: HK\$60,000,000) which carries interest chargeable at the rate of 3% (six months ended 30.6.2003: 5%) per annum, are interest free.