



SUN MAN TAI HOLDINGS COMPANY LIMITED

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INTERIM
REPORT

The Board of Directors of Sun Man Tai Holdings Company Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Six months ended	
		30 June	
		2002	2001
		HK\$'000	<i>HK\$'000</i>
Turnover	2	6,927	57,933
Cost of sales/services		(388)	(52,782)
Gross profit		6,539	5,151
Other revenue	3	199	11,702
Administrative expenses		(7,828)	(10,019)
Loss on disposal of investment properties		–	(5,500)
Profit/(loss) from operations	2,4	(1,090)	1,334
Finance costs	5	(1,593)	(1,872)
Share of profits of associates		6,086	–
Profit/(loss) before taxation		3,403	(538)
Taxation	6	(140)	(397)
Profit/(loss) before minority interests		3,263	(935)
Minority interests		635	1,076
Profit attributable to shareholders		3,898	141
		<i>HK Cents</i>	<i>HK Cents</i>
Basic earnings per share	7	0.170	0.007

CONSOLIDATED BALANCE SHEET

		30 June 2002	31 December 2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets		169,624	148,709
Interest in joint venture		66,323	46,768
Interest in associates		62,224	30,412
		298,171	225,889
Current assets			
Accounts receivable	8	2,862	674
Loans receivable		48,328	31,994
Investment deposits		263,906	232,778
Other receivables and prepayments		49,496	52,026
Amounts due from fellow subsidiary		11,755	11,652
Cash and cash equivalents		674	46,231
		377,021	375,355
Current liabilities			
Current portion of bank loans and overdrafts (secured)		19,453	18,205
Obligations under finance lease		188	638
Accounts payable	9	291	101
Other payables and accruals		74,280	21,240
Amount due to minority shareholder		–	1,325
Amount due to related party		48	–
Taxation		8,655	5,856
		102,915	47,365
Net current assets		274,106	327,990
Total assets less current liabilities		572,277	553,879
Non-current liabilities			
Bank loan (secured)		56,399	44,149
Minority interests		11,079	15,372
NET ASSETS		504,799	494,358
CAPITAL AND RESERVES			
Share capital	10	23,033	23,033
Reserves		481,766	471,325
		504,799	494,358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital <i>HK\$000</i>	Share premium <i>HK\$000</i>	Contributed surplus <i>HK\$000</i>	Capital reserve <i>HK\$000</i>	Exchange reserve <i>HK\$000</i>	Retained earning <i>HK\$000</i>	Total <i>HK\$000</i>
At 1 January 2002	23,033	289,071	31,350	(894)	(4,553)	156,351	494,358
Exchange differences	-	-	-	-	6,543	-	6,543
Profit for the period	-	-	-	-	-	3,898	3,898
At 30 June 2002	<u>23,033</u>	<u>289,071</u>	<u>31,350</u>	<u>(894)</u>	<u>1,990</u>	<u>160,249</u>	<u>504,799</u>

For the six months ended 30 June 2001

	Share capital <i>HK\$000</i>	Share premium <i>HK\$000</i>	Contributed surplus <i>HK\$000</i>	Capital reserve <i>HK\$000</i>	Exchange reserve <i>HK\$000</i>	Retained earning <i>HK\$000</i>	Total <i>HK\$000</i>
At 1 January 2001	19,694	193,739	31,350	(60,892)	(3,994)	118,247	298,144
Issue of shares	3,339	95,332	-	-	-	-	98,671
Exchange differences	-	-	-	-	(2,481)	-	(2,481)
Profit for the period	-	-	-	-	-	141	141
At 30 June 2001	<u>23,033</u>	<u>289,071</u>	<u>31,350</u>	<u>(60,892)</u>	<u>(6,475)</u>	<u>118,388</u>	<u>394,475</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from:		
Operating activities	1,011	1,906
Investing activities	(15,776)	7,315
Financing activities	(30,792)	9,980
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(45,557)	19,201
Cash and cash equivalents at beginning of period	46,231	25,896
	<hr/>	<hr/>
Cash and cash equivalents at end of period	674	45,097
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	352	44,181
Unpledged time deposits with banks maturing within three months of the balance sheet date	322	916
	<hr/>	<hr/>
	674	45,097
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of preparation

This unaudited interim report is prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No.25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of this report are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the SSAPs which are effective for accounting periods commencing on or after 1 January 2002. The adoption of the new or revised SSAPs has no material impact on the Group’s interim results.

2. Segmental information

An analysis of the Group’s turnover and profit/(loss) from operations by principal activity and by geographical location is as follows:

	Turnover		Profit/(loss) from operations	
	Six months ended		Six months ended	
	30 June		30 June	
	2002	2001	2002	2001
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
By principal activity:				
Sales of securities	–	49,142	–	(2,252)
Rental income	4,893	5,686	4,505	5,048
Property management	–	65	–	7,815
Interest income	2,034	3,040	2,034	3,040
Others	–	–	199	3,202
	<u>6,927</u>	<u>57,933</u>	<u>6,738</u>	<u>16,853</u>
Administrative and other expenses			(7,828)	(15,519)
			<u>(1,090)</u>	<u>1,334</u>
By geographical location:				
Hong Kong	5,896	56,158	147	174
Mainland, China	1,031	1,775	(1,237)	1,160
	<u>6,927</u>	<u>57,933</u>	<u>(1,090)</u>	<u>1,334</u>

3. Other revenue

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from warranty	–	8,500
Forfeited deposit of disposal of investment properties	–	3,148
Others	<u>199</u>	<u>54</u>
	<u>199</u>	<u>11,702</u>

4. Profit/(loss) from operations

The Group's profit/(loss) from operations is arrived at after charging:

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	417	719
Bank loan interest	1,549	1,824
Finance lease interest	44	48
Net loss on disposal of investment properties	–	5,500
Net loss on trading of securities	–	<u>2,252</u>

5. Finance costs

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank advances and other borrowings repayable within 5 years	1,549	1,824
Finance charges on obligations under finance lease	<u>44</u>	<u>48</u>
	<u>1,593</u>	<u>1,872</u>

6. Taxation

	Six months ended	
	30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<u>140</u>	<u>397</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$3,898,000 (2001: HK\$141,000) and the weighted average of 2,303,296,940 (2001: 2,018,136,719) ordinary shares in issue for the period.

No diluted earnings per share has been presented for the period as there is no outstanding share option of the Company that would have a diluting effect on the earnings per share.

8. Accounts receivable

The Group normally allows credit terms to customers from 0 to 90 days. All accounts receivable as at 30 June 2002 and 31 December 2001 were aged less than 90 days from the date of recognition of sale.

9. Accounts payable

All accounts payable as at 30 June 2002 and 31 December 2001 were matured for payment.

10. Share Capital

	No. of Shares <i>'000</i>	Amount <i>HK\$'000</i>
<i>Authorized:</i>		
Ordinary shares at HK\$0.01 each	<u>5,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2002 and 30 June 2002	<u>2,303,297</u>	<u>23,033</u>

11. Pledge of assets

At 30 June 2002, the investment properties of HK\$127,650,000 held by the Group were pledged to secure credit facilities granted to the Group.

12. Capital commitments

30 June	31 December
2002	2001
HK\$'000	HK\$'000

The Group had the following significant capital commitments:

Contracted for

18,405

18,405

13. Related party transaction

A subsidiary of the Company entered into a property management contract with Shanghai Taigu Apartment Service & Management Co. Ltd. ("Taigu"), a fellow subsidiary of the Company, for a term of two years commencing 1 January 2002. Pursuant to the contract, the Group appointed Taigu as its agent in Shanghai, the PRC, for leasing of the Group's investment properties in Shanghai. In this connection, a service fee of RMB8,000 (equivalent to HK\$7,500) per month is payable to Taigu. During the interim period, Taigu received rental income of HK\$473,000 (2001: HK\$1,167,000) on behalf of the Group. In return, the Group paid service fees totaling HK\$45,000 to Taigu (2001: HK\$45,000).

The amount due from Taigu as at 30 June 2002 was HK\$11,755,000 (2001: HK\$8,552,000) and is included in the amounts due from fellow subsidiary.

14. Post balance sheet events

- (a) On 26 June 2002, the Company entered into a sale and purchase agreement with Essential Rise Holding Ltd for disposal of 5,000 shares representing 50% of the issued share capital of its associate company, China Wanan Group Limited ("China Wanan") and transfer of the shareholder's loan of HK\$55,392,499 owed by China Wanan to the Company at the total consideration of HK\$62,000,000. The transaction was completed on 31 August 2002.
- (b) On 4 July 2002, the Company announced the placing of 228,971,960 new shares of the Company at the subscription price of HK\$0.30 to Xian Tian He Property Development Co. Ltd. for settlement of the project fee for the Group's Xian development project. The placing was completed on 11 July 2002.
- (c) On 24 July 2002, the Company announced the placing of 231,600,000 new shares of the Company at the subscription price of HK\$0.30 to Shanghai Xin Yi Property Development Co. Ltd. for payment of the project fee for the Group's Shanghai development project. The placing was completed on 1 August 2002.

INTERIM DIVIDEND

The Board of Directors resolved not to pay an interim dividend for the period (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover and Profit

The Group reported a turnover of HK\$6.9 million, decreased by about HK\$51 million as compared to the records of the corresponding period in 2001, which was mainly derived from rental and interest income. After charging administrative expenses and other costs and share of profits of associates, the profit attributable to shareholders was HK\$3,898,000 (2001: HK\$141,000).

Liquidity and Capital Structure

As at 30 June 2002, the current assets amounted to about HK\$377 million (2001: HK\$375 million). The current ratio was 3.66:1 reflecting a relatively healthy liquidity level.

In addition to the shareholders' fund, the Group's financial resources were obtained from current liabilities of HK\$102.9 million (2001: HK\$47.3 million) and non-current liabilities of HK\$56.3 million (2001: HK\$44.1 million). Out of such liabilities, bank loan and overdrafts amount to HK\$75.8 million (2001: HK\$62.3 million) in aggregate which were secured by the Group's certain properties.

All the borrowings and other funds were sourced from Hong Kong and most monies and assets were in Hong Kong dollars and Renminbi. There was no significant exposure to foreign exchange rate fluctuations. All such funds were used as the Group's general working capital purpose.

The capital gearing ratio as at 30 June 2002 was maintained at a reasonable level of 15% (2001: 12.6%). It was calculated as bank loans and overdrafts of HK\$75.8 million (2001: HK\$62.3 million) and the shareholders' fund of HK\$504.7 million (2001: HK\$494.3 million).

BUSINESS REVIEW

In view of the continued growth of the real estate market in Shanghai, the PRC and the stringent control over land supply implemented by Government of Shanghai Municipality which has also benefited the development of Shanghai's real estate industry, the Group places a great emphasis on this market. During the period, the Group purchased a piece of land of 158-mu in Hua Cao Zhen, Min Hang Qu, Shanghai. It is intended that this parcel of land be developed into a large-scale high-class villa-type residential district. The "three supplies and one leveling (supply of water, electricity, road and leveled ground)" construction is consigned to a land development company and is close to completion. The project is divided into two phases. It is planned to construct 80-100 units of high-class villas during the first phase.

During the period, the Group's Xian development project progressed smoothly and most of the river harness works was completed. This year, the project was ranked as the second key project of Xian by the local government.

In January 2002, China Wanan Group Limited ("Wanan"), which was jointly-held by the Company and two independent third parties, successfully acquired 29.9% equity interest of The Sun's Group Limited (the "Sun's", formerly known as Pearl Oriental Holdings Limited) at a consideration of HK\$112 million. Subsequently, there was improvement in the financial position of the Sun's. After considering that profit could be made from the sale of the Company's equity interest in the Sun's, the Company therefore entered into a sale and purchase agreement with Essential Rise Holding Ltd in consideration of HK\$62 million for disposal of the Company's equity interest in Wanan and the shareholders' loan owed by Wanan to the Company in June 2002. The Company recorded a profit of HK\$6 million from the disposal.

During the period, the Group considered that the Hong Kong's property market was still at comparatively low price level and thus purchased two adjoining units in the Far East Finance Centre, Admiralty, Hong Kong for own use.

The Group's properties at Wing Fai Centre and Wing Fok Centre in Fanling, Hong Kong maintained high rented-out rate and continued to provide a stable rental income and cash flow for the Group during the period.

Prospects

It is expected that the first phase of the Shanghai Villa Project will be launched for sale in the first half of year 2003. As the Group acquired the land at a price lower than the then market price and the real estate market in Shanghai continues to boom, a substantial marginal profit from the sale is therefore anticipated.

The Group expects that the Xian Property Project will be ready for sale around the end of this year to early next year. It is expected that it will realize sizable funds and bring in remarkable profits.

The entry of the PRC into WTO leads to a vigorous economic environment throughout the territory, in particular, the major cities, such as Shanghai, are experiencing tremendous economic growth. The living standard of the people in the mainland continues to improve and the demand for real estate is on the rise. Besides, as the north-western China region has become the landmark designated by the PRC Government for major development in the coming years, the Group will get hold of all business opportunities and actively identify real estate development projects that are of huge potential and high profitability in PRC, particularly in Shanghai, for better long term benefit and return to the Shareholders.

Employees

As at 30 June 2002, the Group had 58 employees. They were remunerated according to the nature of the job and market condition with built-in merit components incorporated in annual increments to reward and motivate individual performance. Total staff costs for the period were HK\$2.2 million (2001: HK\$1.5 million).

DIRECTORS' INTERESTS IN SHARES

As at 30 June, 2002, the interests of the directors in the shares of the Company and/or its associated companies as recorded in the register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Qian Yong Wei (Note 1)	–	–	1,057,348,235	–	1,057,348,235
Xu Zhe Cheng (Note 2)	–	–	1,057,348,235	–	1,057,348,235
Chiu Yeung (Note 3)	–	–	500,000	–	500,000

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate holding company of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,057,348,235 shares in the Company.
2. Ms. Xu Zhe Cheng, Mr. Qian's wife, held 5,000 (5%) shares in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,057,348,235 shares in the Company.
3. Mr. Chiu Yeung held all shares in Jin Tai Finance Company Limited ("Jin Tai"). Jin Tai held 500,000 shares in the Company.

Save as disclosed above, as at 30 June, 2002, none of the directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance. None of the directors or their spouse or children under the age of 18 had any right to subscribe for shares of the Company, or had exercised any such right during the period.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June, 2002, in addition to the interests disclosed above in respect of the directors of the Company, the substantial shareholders interested in 10% or more of the issued share capital of the Company as recorded in the register maintained pursuant to Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares
Universal Union	1,057,348,235 (<i>Note</i>)
China Wan Tai	1,057,348,235 (<i>Note</i>)

Note:

China Wan Tai is taken to be interested in the 1,057,348,235 shares held by its wholly-owned subsidiary, Universal Union. Mr. Qian is deemed to be interested in these shares by virtue of his holding of 95% interest in China Wan Tai.

Save as disclosed above, as at 30 June, 2002, the Company was not notified of any other interests representing 10% or more of the Company's issued share capital that were required to be recorded under Section 16(1) of the SDI Ordinance.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company had reviewed these interim results.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2002, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

None of the director is aware of information that would reasonably indicate that the Company is not, or was not for the six months ended 30 June, 2002, in compliance with Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

By order of the Board

Qian Yong Wei

Chairman

Hong Kong, 23 September, 2002