

Notes to the Financial Statements

For the Year Ended 31st December, 2002

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 “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 comparative amounts shown for the income statement, statement of changes in equity, cash flows and related notes cover the nine months period ended 31st December, 2001 and therefore may not be comparable with amounts shown for the current year. The comparative prior period’s financial statements covered a period of less than twelve months because the Company changed its accounting date to be in line with that of the Company’s immediate holding company, Shun Ho Technology Holdings Limited (“Shun Ho Technology”).

Shun Ho Resources Holdings Limited (“Shun Ho Resources”), an intermediate holding company of Shun Ho Technology, is a public limited company incorporated in Hong Kong whose shares are listed on the 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 STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) “Cash Flow Statements”, cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid, which was previously presented under a separate heading, is classified as financing cash flows. Interest and dividends received are separately disclosed under operating activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes and short-term loans that are financing in nature. The re-definition of cash and cash equivalents resulted in a restatement of the comparative amounts shown in the cash flow statements.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements. However, a provision for employee’s entitlement to annual leave of approximately HK\$1,895,000 was made in the current year following the adoption of this SSAP.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2002

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.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2002

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 held for short-term leases 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 and furnished suites is dealt with as an expense to the extent that it exceeds the balance on this reserve.

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 its 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, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Other property, plant and equipment

Other property, plant and equipment, other than property under construction and hotel operating equipment, are stated at cost less depreciation and accumulated impairment losses.

No depreciation is provided on property under construction. Hotel operating equipment included in furniture, fixtures and equipment is capitalised 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.

Property under development

Property under development is stated at cost less any identified impairment loss. Cost includes the cost of land, development expenditure, borrowing cost capitalised and other attributable expenses incurred during the development period.

Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost includes purchase consideration and other attributable expenses. Net realisable value is determined by reference to management estimates 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 comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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.

Convertible bonds

Convertible bonds are separately disclosed and regarded as a liability. The expenses incurred directly in connection with the issue of the bonds are deferred and are amortised over the period of the bonds so as to produce a constant periodic rate of charge on the carrying amount of the bonds.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2002

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 overseas subsidiaries 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Rental income, including rentals invoiced in advance 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:

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Income from operation of hotel and furnished suites	41,189,172	24,508,940
Property rentals	20,099,327	15,761,580
Proceeds from sale of properties	117,246,663	–
Proceeds from sale of trading securities	7,165,750	104,329,380
Interest income	4,178,646	3,764,510
Dividend income	744,457	2,355,038
	<u>190,624,015</u>	<u>150,719,448</u>

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

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment information about these businesses is presented below:

Revenue and Results

Year ended 31st December, 2002

	Hospitality services HK\$	Property investment HK\$	Property development and trading HK\$	Securities investment and trading HK\$	Consolidated HK\$
TURNOVER					
External sales	<u>41,189,172</u>	<u>23,099,327</u>	<u>117,246,663</u>	<u>9,088,853</u>	<u>190,624,015</u>
RESULT					
Segment result	<u>10,938,824</u>	<u>(4,782,117)</u>	<u>31,686,627</u>	<u>(207,858)</u>	37,635,476
Other income					82,376
Unallocated corporate expenses less amounts reimbursed by related companies					<u>(15,606,560)</u>
Profit from operations					22,111,292
Finance costs					(8,874,576)
Share of results of associates	(73,135)	3,564,903	–	–	<u>3,491,768</u>
Profit before taxation					16,728,484
Taxation					<u>(6,461,348)</u>
Net profit for the year					<u>10,267,136</u>

Balance Sheet

At 31st December, 2002

	Hospitality services HK\$	Property investment HK\$	Property development and trading HK\$	Securities investment and trading HK\$	Consolidated HK\$
ASSETS					
Segment assets	568,868,164	474,987,864	124,414,485	54,039,016	1,222,309,529
Interests in associates	(93,476)	93,995,657	–	–	<u>93,902,181</u>
Unallocated corporate assets					<u>1,316,211,710</u> 13,195,858
Consolidated total assets					<u>1,329,407,568</u>
LIABILITIES					
Segment liabilities	5,017,668	6,767,650	4,486,053	118,094	16,389,465
Unallocated corporate liabilities					<u>170,397,151</u>
Consolidated total liabilities					<u>186,786,616</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Other Information

Year ended 31st December, 2002

	Hospitality services HK\$	Property investment HK\$	Securities investment and trading HK\$
Capital additions to property, plant and equipment	13,333,219	46,910	–
Depreciation and amortisation	523,980	56,740	–
Decrease on revaluation of investment properties	–	26,900,000	–
Unrealised holding loss on trading securities	–	–	1,423,693
Impairment loss on other securities	–	–	782,600
	<u> </u>	<u> </u>	<u> </u>

Revenue And Results

Nine months ended 31st December, 2001

	Hospitality services HK\$	Property investment HK\$	Property development and trading HK\$	Securities investment and trading HK\$	Consolidated HK\$
TURNOVER					
External sales	<u>24,508,940</u>	<u>18,536,580</u>	<u>–</u>	<u>107,673,928</u>	<u>150,719,448</u>
RESULT					
Segment result	<u>4,784,114</u>	<u>7,755,075</u>	<u>–</u>	<u>(4,440,889)</u>	8,098,300
Other income					494,523
Unallocated corporate expenses less amounts reimbursed by related companies					<u>(12,793,593)</u>
Loss from operations					(4,200,770)
Finance costs					(8,240,275)
Share of results of associates	(13,785)	2,279,504	–	–	<u>2,265,719</u>
Loss before taxation					(10,175,326)
Taxation					<u>(268,027)</u>
Net loss for the period					<u>(10,443,353)</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Balance Sheet

At 31st December, 2001

	Hospitality services HK\$	Property investment HK\$	Property development and trading HK\$	Securities investment and trading HK\$	Consolidated HK\$
ASSETS					
Segment assets	486,187,661	582,787,130	177,122,907	63,740,489	1,309,838,187
Interests in associates	(20,340)	97,127,058	–	–	97,106,718
					<u>1,406,944,905</u>
Unallocated corporate assets					13,934,276
Consolidated total assets					<u><u>1,420,879,181</u></u>
LIABILITIES					
Segment liabilities	2,814,826	6,361,998	–	170,487	9,347,311
Unallocated corporate liabilities					346,055,100
Consolidated total liabilities					<u><u>355,402,411</u></u>

Other Information

Nine months ended 31st December, 2001

	Hospitality services HK\$	Property investment HK\$	Securities investment and trading HK\$
Capital additions to property, plant and equipment	467,675	13,590,429	–
Depreciation and amortisation	348,603	37,350	–
Decrease on revaluation of investment properties	–	10,269,816	–
Impairment loss on other securities	–	–	138,000
	<u> </u>	<u> </u>	<u> </u>

Geographical segments

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

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Hong Kong	181,257,036	150,719,448
Other regions in the People's Republic of China (the "PRC")	9,366,979	–
	<u><u>190,624,015</u></u>	<u><u>150,719,448</u></u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Hong Kong	1,213,941,001	1,339,631,209	65,493	890,362
The PRC	115,466,567	81,247,972	13,318,136	13,573,068
	<u>1,329,407,568</u>	<u>1,420,879,181</u>	<u>13,383,629</u>	<u>14,463,430</u>

6. (LOSS) GAIN ON INVESTMENTS IN SECURITIES

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Unrealised holding (loss) gain on trading securities	(1,423,693)	605,967
Impairment loss on other securities	(782,600)	(138,000)
	<u>(2,206,293)</u>	<u>467,967</u>

7. PROFIT (LOSS) FROM OPERATIONS

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Profit (loss) from operations has been arrived at after charging (crediting):		
Auditors' remuneration	456,651	533,000
Depreciation of property, plant and equipment	2,280,472	2,417,100
Realised loss on trading securities	75,332	8,182,592
Repairs and maintenance	504,539	1,801,873
Staff costs including directors' emoluments	22,802,280	18,306,806
Rental income in respect of investment properties under operating leases, less outgoings of HK\$1,052,995 (Nine months ended 31.12.2001: HK\$511,689)	(19,046,332)	(15,249,891)
Dividends from listed securities	(704,430)	(2,355,038)
Dividends from unlisted investments	(40,027)	–
Interest from debt securities	(1,178,646)	(918,698)
Interest from an associate	(3,000,000)	(2,775,000)
	<u>(3,000,000)</u>	<u>(2,775,000)</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

8. FINANCE COSTS

	Year ended 31.12.2002 <i>HK\$</i>	Nine months ended 31.12.2001 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	4,840,987	4,176,799
Other loans wholly repayable within five years	2,488,457	4,159,276
Convertible bonds	3,860,634	2,923,749
Bond issue expenses amortised	809,037	592,103
	<u>11,999,115</u>	<u>11,851,927</u>
Less: Amount capitalised on properties under development	<u>(3,124,539)</u>	<u>(3,611,652)</u>
	<u><u>8,874,576</u></u>	<u><u>8,240,275</u></u>

Borrowing costs were capitalised to expenditure on qualifying assets during the year at Hong Kong Inter-bank Offer Rate plus a specified margin.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Year ended 31.12.2002 <i>HK\$</i>	Nine months ended 31.12.2001 <i>HK\$</i>
Directors' fees	80,000	30,000
Other emoluments		
Salaries and other benefits	4,088,862	2,716,479
Contributions to provident fund schemes	36,000	27,000
	<u>4,204,862</u>	<u>2,773,479</u>

The directors' fees of HK\$80,000 (Nine months ended 31.12.2001: HK\$30,000) disclosed above were payable to the independent non-executive directors.

Emoluments of the directors are within the following bands:

	Year ended 31.12.2002 <i>Number of directors</i>	Nine months ended 31.12.2001 <i>Number of directors</i>
Nil to HK\$1,000,000	3	5
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>—</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, three (Nine months ended 31.12.2001: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (Nine months ended 31.12.2001: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Salaries and other benefits	974,248	814,635
Contributions to provident fund scheme	24,000	18,000
	<u>998,248</u>	<u>832,635</u>

10. TAXATION

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	6,013,440	289,382
Prior years' under(over)provision	51,603	(255,516)
	<u>6,065,043</u>	<u>33,866</u>
Associates		
Hong Kong Profits Tax		
	<u>396,305</u>	<u>234,161</u>
	<u>6,461,348</u>	<u>268,027</u>

Hong Kong Profits Tax is calculated at 16% (Nine months ended 31.12.2001: 16%) of the estimated assessable profits for the year/period.

Details of unprovided deferred taxation are set out in note 25.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit (loss) for the year/period of HK\$10,267,136 (Nine months ended 31.12.2001: a loss of HK\$10,443,353) and on the weighted average of 3,548,472,566 (Nine months ended 31.12.2001: 3,256,692,873) ordinary shares in issue during the year/period.

The computation of diluted earnings per share for the year ended 31st December, 2002 does not assume the exercise of the Company's outstanding share options and warrants and the conversion of the outstanding convertible bonds as the exercise prices of the share options and warrants are higher than the average market price for shares for the year and the conversion of the outstanding convertible bonds would be anti-dilutive.

No diluted loss per share has been calculated for the nine months ended 31st December, 2001 as the exercise of the share options and warrants and the conversion of the convertible bonds would result in a decrease in the loss per share for that period.

12. INVESTMENT PROPERTIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Investment properties in Hong Kong, at valuation		
At beginning of the year/period	500,600,000	511,300,000
Revaluation decrease	(26,900,000)	(10,700,000)
At end of the year/period	<u>473,700,000</u>	<u>500,600,000</u>

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

	2002	2001
	HK\$	HK\$
Land and buildings in Hong Kong on		
Long leases	364,000,000	387,000,000
Medium-term leases	109,700,000	113,600,000
	<u>473,700,000</u>	<u>500,600,000</u>

The investment properties of the Group were revalued at 31st December, 2002 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. This valuation gave rise to a revaluation decrease of HK\$26,900,000 (2001: HK\$10,700,000) which has been charged to the income statement (2001: HK\$10,269,816 charged to income statement).

The investment properties of the Group with an aggregate carrying value of approximately HK\$446 million (2001: HK\$456 million) were rented out under operating leases at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel property and furnished suites HK\$	Property under construction HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles and vessels HK\$	Total HK\$
THE GROUP					
COST OR VALUATION					
At 1st January, 2002	480,000,000	80,707,206	12,843,249	16,633,163	590,183,618
Additions	–	10,304,396	2,967,702	111,531	13,383,629
Transfer	91,011,602	(91,011,602)	–	–	–
Revaluation decrease	(11,011,602)	–	–	–	(11,011,602)
	<u>560,000,000</u>	<u>–</u>	<u>15,810,951</u>	<u>16,744,694</u>	<u>592,555,645</u>
At 31st December, 2002					
Comprising:					
At cost	–	–	15,810,951	16,744,694	32,555,645
At valuation	<u>560,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>560,000,000</u>
	<u>560,000,000</u>	<u>–</u>	<u>15,810,951</u>	<u>16,744,694</u>	<u>592,555,645</u>
DEPRECIATION					
At 1st January, 2002	–	–	9,645,543	14,140,822	23,786,365
Provided for the year	–	–	455,236	1,825,236	2,280,472
	<u>–</u>	<u>–</u>	<u>10,100,779</u>	<u>15,966,058</u>	<u>26,066,837</u>
At 31st December, 2002					
NET BOOK VALUES					
At 31st December, 2002	<u>560,000,000</u>	<u>–</u>	<u>5,710,172</u>	<u>778,636</u>	<u>566,488,808</u>
At 31st December, 2001	<u>480,000,000</u>	<u>80,707,206</u>	<u>3,197,706</u>	<u>2,492,341</u>	<u>566,397,253</u>

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

	2002 HK\$	2001 HK\$
Properties on land held under medium-term leases		
Hotel property in Hong Kong	450,000,000	480,000,000
Furnished suites in the PRC	110,000,000	–
	<u>560,000,000</u>	<u>480,000,000</u>

The Group's hotel property and furnished suites are carried at their open market value, on an existing use basis, at 31st December, 2002, as valued by Dudley Surveyors Limited, an independent firm of property valuers. The net decrease on revaluation of these properties amounted to HK\$11,011,602 (2001: HK\$56,000,000) has been dealt with in other property revaluation reserve.

Had the Group's hotel property and furnished suites not been revalued, it would have been included in these financial statements at the historical cost of approximately HK\$432,600,000 (2001: HK\$341,594,000).

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles and vessels <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY			
COST			
At 1st January, 2002	92,600	2,658,007	2,750,607
Additions	3,500	–	3,500
	<u>96,100</u>	<u>2,658,007</u>	<u>2,754,107</u>
At 31st December, 2002	96,100	2,658,007	2,754,107
DEPRECIATION			
At 1st January, 2002	40,116	2,328,931	2,369,047
Provided for the year	17,921	70,695	88,616
	<u>58,037</u>	<u>2,399,626</u>	<u>2,457,663</u>
At 31st December, 2002	58,037	2,399,626	2,457,663
NET BOOK VALUES			
At 31st December, 2002	<u>38,063</u>	<u>258,381</u>	<u>296,444</u>
At 31st December, 2001	<u>52,484</u>	<u>329,076</u>	<u>381,560</u>

14. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
At beginning of the year/period	106,470,177	95,896,941
Additions	17,944,308	10,573,236
	<u>124,414,485</u>	<u>106,470,177</u>
At end of the year/period	124,414,485	106,470,177

Included in property under development, which is situated in Hong Kong under a medium-term lease, is interest expense of HK\$14,612,668 (2001: HK\$12,270,428) capitalised.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$	HK\$
Unlisted shares, at cost	115,020,892	115,020,892
Amounts due from subsidiaries less allowance	839,592,651	842,852,251
	<u>954,613,543</u>	<u>957,873,143</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, 2002 are set out in note 32.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Share of net assets	6,316,446	5,470,983
Amount due from an associate	87,585,735	91,635,735
	<u>93,902,181</u>	<u>97,106,718</u>

	THE COMPANY	
	2002	2001
	HK\$	HK\$
Unlisted share, at cost	<u>1</u>	<u>1</u>

The amount due from an associate is unsecured with no fixed repayment terms. Such amount to the extent of HK\$60,000,000 (2001: HK\$60,000,000) carries interest at a rate of 5% (Nine months ended 31.12.2001: 5% to 8.5%) 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, 2002 are set out in note 33.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

16. INTERESTS IN ASSOCIATES (Continued)

The following financial information has been prepared from the financial statements of an associate, Lucky Country Development Limited.

Operating results

	Year ended 31.12.2002 <i>HK\$'000</i>	Nine months ended 31.12.2001 <i>HK\$'000</i>
Turnover	<u>15,536</u>	<u>11,982</u>
Profit from ordinary activities before taxation	<u>7,130</u>	<u>4,559</u>
Profit from ordinary activities before taxation attributable to the Group	<u>3,565</u>	<u>2,280</u>

Financial position

	At 31st December,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current asset		
Investment property	185,000	185,000
Current assets	385	1,722
Current liabilities	(1,204)	(566)
Non-current liabilities		
Amounts due to shareholders	<u>(171,607)</u>	<u>(175,418)</u>
Net assets	<u>12,574</u>	<u>10,738</u>
Net assets attributable to the Group	<u>6,287</u>	<u>5,369</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

17. INVESTMENTS IN SECURITIES

	THE GROUP				THE COMPANY	
	Other securities (non-current)		Trading securities (current)		Other securities (non-current)	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Listed securities at market value						
Equity securities listed						
In Hong Kong	21,006,275	32,421,791	8,727,332	8,339,301	–	–
Outside Hong Kong	1,076,400	1,459,000	–	–	–	–
Debt securities listed						
Outside Hong Kong	–	–	21,971,250	20,256,600	–	–
Unlisted equity investments at fair value	780,000	780,000	–	–	780,000	780,000
	<u>22,862,675</u>	<u>34,660,791</u>	<u>30,698,582</u>	<u>28,595,901</u>	<u>780,000</u>	<u>780,000</u>

The Group's non-current equity securities listed in Hong Kong include approximately 15.59% (2001: 15.59%) interest in Shun Ho Technology and approximately 20.57% (2001: 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, development of internet portal sites 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	
	2002 HK\$	2001 HK\$
0 – 30 days	2,331,101	2,319,740
31 – 60 days	617,216	513,447
Over 60 days	545,125	647,787
	<u>3,493,442</u>	<u>3,480,974</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

19. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2002	2001
	HK\$	HK\$
0 – 30 days	10,702,013	2,567,310
31 – 60 days	651,427	485,883
Over 60 days	2,797,593	3,250,880
	<u>14,151,033</u>	<u>6,304,073</u>

20. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2001 and 2002	<u>80,000,000,000</u>	<u>800,000,000</u>
Issued and fully paid:		
At 1st April, 2001	3,223,566,785	32,235,668
Issued upon conversion of convertible bonds (note 23)	<u>130,047,341</u>	<u>1,300,473</u>
At 31st December, 2001	3,353,614,126	33,536,141
Issued upon conversion of convertible bonds (note 23)	<u>1,481,736,051</u>	<u>14,817,361</u>
At 31st December, 2002	<u>4,835,350,177</u>	<u>48,353,502</u>

Details of the changes in the issued share capital of the Company subsequent to the balance sheet date are set out in note 21.

21. WARRANTS

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

Subsequent to the balance sheet date, 629,350,706 shares of HK\$0.01 each in the Company were issued upon the exercise of 629,350,706 units of warrants at a price of HK\$0.035 per share. The remaining warrants not exercised had subsequently lapsed.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

22. RESERVES

	Share premium HK\$	Special capital reserve HK\$	Investment property revaluation reserve HK\$	Other property revaluation reserve HK\$	Securities revaluation reserve HK\$	Goodwill on consolidation HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
At 1st April, 2001	114,368,951	612,477,689	2,558,238	194,405,908	(40,717,523)	(922,952)	221,010,882	1,103,181,193
Issue of shares	6,502,367	-	-	-	-	-	-	6,502,367
Share issue expenses	(6,503)	-	-	-	-	-	-	(6,503)
Decrease on revaluations of								
Properties	-	-	(430,184)	(56,000,000)	-	-	-	(56,430,184)
Other securities	-	-	-	-	(10,862,891)	-	-	(10,862,891)
Net loss for the period	-	-	-	-	-	-	(10,443,353)	(10,443,353)
At 31st December, 2001	120,864,815	612,477,689	2,128,054	138,405,908	(51,580,414)	(922,952)	210,567,529	1,031,940,629
Issue of shares	74,086,803	-	-	-	-	-	-	74,086,803
Decrease on revaluations of								
Properties	-	-	-	(11,011,602)	-	-	-	(11,011,602)
Other securities	-	-	-	-	(11,798,116)	-	-	(11,798,116)
Impairment loss on other securities charged to income	-	-	-	-	782,600	-	-	782,600
Net profit for the year	-	-	-	-	-	-	10,267,136	10,267,136
At 31st December, 2002	<u>194,951,618</u>	<u>612,477,689</u>	<u>2,128,054</u>	<u>127,394,306</u>	<u>(62,595,930)</u>	<u>(922,952)</u>	<u>220,834,665</u>	<u>1,094,267,450</u>

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

Included in reserves of the Group are the Group's share of investment property revaluation reserve and retained profits of associates amounted to HK\$2,128,054 (2001: HK\$2,128,054) and HK\$4,290,816 (2001: HK\$3,445,353) respectively.

	Share premium HK\$	Special capital reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY				
At 1st January, 2001	114,368,951	612,477,689	61,510,237	788,356,877
Issue of shares	6,502,367	-	-	6,502,367
Share issue expenses	(6,503)	-	-	(6,503)
Net profit for the period	-	-	1,003,051	1,003,051
At 31st December, 2001	120,864,815	612,477,689	62,513,288	795,855,792
Issue of shares	74,086,803	-	-	74,086,803
Net loss for the year	-	-	(4,040,065)	(4,040,065)
At 31st December, 2002	<u>194,951,618</u>	<u>612,477,689</u>	<u>58,473,223</u>	<u>865,902,530</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

22. RESERVES (Continued)

When sanctioning the reduction in 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, accordingly the special capital reserve was not considered distributable.

The Company's reserves available for distribution to shareholders as at 31st December, 2002 comprised the retained profits of HK\$58,473,223 (2001: HK\$62,513,288). The directors do not recommend the payment of a dividend in respect of the year (Nine months ended 31.12.2001: nil).

23. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$	HK\$
Unsecured convertible bonds	–	88,904,164
Less: Unamortised bond issue expenses	–	(809,037)
	<u>–</u>	<u>88,095,127</u>

The convertible bonds (the "Bonds"), which carry interest at 5 per cent per annum payable quarterly in arrears with the last payment due on 14th November, 2002, entitled the holders thereof to convert the Bonds into shares of the Company at a conversion price of HK\$0.06 per share during the period from 14th May, 2001 to 14th November, 2002.

During the year, the Bonds with an aggregate principal value of HK\$88,904,164 (Nine months ended 31.12.2001: HK\$7,802,840) were converted into 1,481,736,051 (Nine months ended 31.12.2001: 130,047,341) new ordinary shares of HK\$0.01 each in the Company at the conversion price of HK\$0.06 per share.

24. 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, 2002

25. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax assets were as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Tax effect of timing differences because of:		
Differences between tax allowances and depreciation charges	(3,921,844)	(3,275,015)
Unutilised tax losses	5,563,868	4,034,811
	<u>1,642,024</u>	<u>759,796</u>

The unprovided deferred taxation has not been recognised in the financial statements as it is not certain that the potential deferred taxation will crystallise in the foreseeable future.

The unprovided deferred tax credit (charge) for the year/period is as follows:

	THE GROUP	
	Year ended	Nine months ended
	31.12.2002	31.12.2001
	HK\$	HK\$
Tax effect of timing differences because of:		
Differences between tax allowances and depreciation charges	(646,829)	(670,666)
Tax losses arising	1,529,057	705,533
	<u>882,228</u>	<u>34,867</u>

Deferred tax has not been provided on the surplus arising on the revaluation of properties in Hong Kong and other securities held for long term investment purposes as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increase or decrease does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the surplus arising on revaluation of properties in the PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

26. CAPITAL COMMITMENTS

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

	2002 HK\$	2001 HK\$
Contracted but not provided for in the financial statements	<u>25,313,186</u>	<u>10,141,822</u>
Authorised but not contracted for	<u>–</u>	<u>1,853,000</u>

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

27. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year is approximately HK\$20,099,000 (Nine months ended 31.12.2001: HK\$15,762,000). 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:

	2002 HK\$	2001 HK\$
Within one year	13,307,668	15,867,658
In the second to fifth year inclusive	<u>9,241,612</u>	<u>3,962,397</u>
	<u>22,549,280</u>	<u>19,830,055</u>

The Group as lessee

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Minimum lease payments for office premises paid under operating leases during the year/period	<u>1,238,000</u>	<u>937,500</u>

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

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2002

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\$90 million (2001: HK\$136 million), were secured by the following:

- (a) guarantees issued by the Company amounted to approximately HK\$210 million (2001: HK\$164 million);
- (b) properties of the Group together with related assets with an aggregate carrying book value of approximately HK\$728 million (2001: HK\$554 million);
- (c) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$258 million (2001: HK\$177 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 value of approximately HK\$50 million (2001: HK\$55 million) and HK\$3 million (2001: HK\$5.6 million) respectively.

The facilities secured by the pledge of bank deposits had not been utilised at the balance sheet date.

29. SHARE OPTIONS 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, expired on 27th September, 2000.

Share options outstanding at 31st December, 2002 and 2001, which were granted to a director on 29th June, 1994, comprised options to subscribe for 43,799,524 ordinary shares at the subscription price of HK\$0.2 per share, representing 0.9% and 1.3% of the issued shares of the Company at those dates respectively. Such options were exercisable on or before 29th June, 2004. No options were exercised, cancelled or lapsed during the current year and the nine months period ended 31st December, 2001. The options to subscribe for 43,799,524 ordinary shares which were outstanding at the balance sheet date were subsequently cancelled.

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 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 contribution paid or payable under the schemes in respect of the year charged to income statement amounted to HK\$964,083 (Nine months ended 31.12.2001: HK\$702,481). The forfeited contributions under the Group's defined contribution retirement scheme suspended in prior years are immaterial.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

31. RELATED PARTY TRANSACTIONS

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

	Year ended 31.12.2002 HK\$	Nine months ended 31.12.2001 HK\$
Shun Ho Technology and its subsidiaries		
Rental expenses (note a)	1,040,000	780,000
Interest expenses on advances to the Group (note b)	2,370,783	3,666,323
Interest expenses on the convertible bonds (note c)	3,760,757	2,850,653
Charges for administrative facilities (note d)	1,399,702	1,178,432
Web advertising expenses (note a)	288,000	216,000
Advances due by the Group at end of period (note b)	71,093,360	94,083,882
Trade balance due to the Group (note e)	140,313	–
Convertible bonds at the end of period (note c)	–	88,095,127
Shun Ho Resources		
Charges for administrative facilities (note d)	75,000	112,500
Trade balance due to the Group (note e)	295,745	170,760
Associates		
Marketing expenses (note a)	480,000	240,000
Interest income (note f)	3,000,000	2,775,000
Trade balance due to (by) the Group at end of period (note e)	7,314	(137,495)
Balances due to the Group at end of period (note f)	87,585,735	91,635,735
Director		
Interest expenses (note g)	117,674	492,953
Balances due by the Group during the period (note g)	–	23,157,510

Notes:

- (a) The transactions were determined based on terms mutually agreed by the parties concerned.
- (b) The short-term 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) In 2001, the Company issued 1,611,783,392 units of convertible bonds and 644,713,356 units of warrants which were underwritten by Shun Ho Technology free of underwriting commission. During that year, Shun Ho Technology and its subsidiaries subscribed for a total of approximately 1,573,403,000 units of convertible bonds together with 629,361,000 units of warrants issued by the Company at an aggregate consideration of approximately HK\$94,404,000. Details of the warrants and convertible bonds are set out in notes 21 and 23 respectively.
- (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 are unsecured and repayable on demand. The advances, other than an amount of HK\$60,000,000 (2001: HK\$60,000,000) which carry interest chargeable at the rate of 5% (nine months ended 31.12.2001: 5% to 8.5%) per annum, are interest free.
- (g) The amount due to a director of the Company, Mr. William Cheng Kai Man, which is unsecured and carries interest chargeable at bank fixed deposit rates, is repayable on demand.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2002

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Paid up issued/ registered ordinary share capital		Proportion of nominal value of capital held by the Company		Principal activities
	Number of shares	Par value	Directly %	Indirectly %	
Babenna Limited	2	HK\$10	100	–	Investment holding
Claymont Services Limited (i)	1	US\$1	100	–	Investment holding
Gainwell Holdings Limited	4	HK\$1	–	100	Property investment
Harbour Rich Industrial Limited	10,000	HK\$1	–	100	Property development
Magnificent International Hotel Limited (formerly known as Hotel Royale International Limited)	2	HK\$1	100	–	Property investment
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
Mercury Fast Limited	2	HK\$1	100	–	Securities dealings and investment holding
New Champion Developments Limited (i)	1	US\$1	–	100	Vessel owning
On Sea Limited	2	HK\$1	100	–	Vessel owning
Pearmon Limited	100	HK\$10	100	–	Property trading
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 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
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 subsidiaries listed above are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2002 or at any time during the year.

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group 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, 2002

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 the Group		Principal activities
	Directly %	Indirectly %	
Lucky Country Development Limited	–	50	Property investment
Shun Ho Real Estate Limited	50	–	Provision of hospitality services