



Shimao China Holdings Limited

2003



Interim Report 2003



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## INDEPENDENT REVIEW REPORT

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## TO THE BOARD OF DIRECTORS OF SHIMAO CHINA HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 16.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

### REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 (“SAS 700”) “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquires 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 30 June, 2003.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 20 August, 2003

The Board of Directors (the “Board” or the “Directors”) of Shimao China Holdings Limited (the “Company”) is pleased to present the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 June, 2003 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

	<i>Notes</i>	Six months ended	
		30.6.2003 (unaudited) HK\$'000	30.6.2002 (unaudited) HK\$'000
Turnover		5,672	12,236
Cost of sales		–	(11,293)
Gross profit		5,672	943
Other operating income		4,151	395
Selling expenses		–	(241)
Allowance for properties under development		–	(107,309)
Allowance for properties for sales		–	(15,210)
Deficit on revaluation of leasehold land and buildings		–	(12,349)
Administrative expenses		(13,765)	(14,300)
Other operating expenses		(109)	(681)
Loss from operations	4	(4,051)	(148,752)
Finance costs	5	(2,667)	(2,695)
Share of result of a jointly controlled entity	10	60,888	–
Profit (loss) before taxation		54,170	(151,447)
Taxation	6	(9,593)	–
Net profit (loss) for the period		44,577	(151,447)
Earnings (loss) per share	7	HK5.39 cents	HK(23.42) cents

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE, 2003

	Notes	30.6.2003 (unaudited) HK\$'000	31.12.2002 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	57,709	55,530
Investment properties	9	402,578	394,741
Interest in a jointly controlled entity	10	124,641	72,886
Properties under development	11	81,381	76,950
		666,309	600,107
<b>CURRENT ASSETS</b>			
Trade receivables	12	744	1,730
Prepayments, deposits and other receivables		21,499	21,378
Loan to a jointly controlled entity		–	76,316
Bank balances and cash		5,447	10,919
		27,690	110,343
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		4,040	8,769
Amount due to ultimate holding company		9,451	4,201
Amounts due to related parties		4,146	9,427
Tax payables		–	405
Borrowings – due within one year		15,406	15,642
		33,043	38,444
<b>NET CURRENT (LIABILITIES) ASSETS</b>		(5,353)	71,899
		660,956	672,006
<b>CAPITAL AND RESERVES</b>			
Share capital	13	82,764	82,498
Reserves	14	332,984	287,891
		415,748	370,389
<b>NON-CURRENT LIABILITIES</b>			
Borrowings - due after one year		165,083	171,617
Promissory notes		40,000	130,000
Amount due to a jointly controlled entity		40,125	–
		245,208	301,617
		660,956	672,006

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

	Total equity HK\$'000
At 1 January, 2002	157,784
Deficit on revaluation of leasehold land and buildings not recognised in the consolidated income statement	(9,277)
Leasehold land and buildings revaluation reserve released to the consolidated income statement on disposals	(347)
Net loss for the period	(151,447)
Shares issued at premium	315,752
Shares issue expenses	(1,874)
At 30 June, 2002	310,591
Surplus on revaluation of investment properties not recognised in the consolidated income statement	13,320
Shareholder's contribution arising from acquisition of subsidiaries	48,557
Net loss for the period	(9,668)
Shares issued at premium	7,589
At 31 December, 2002	370,389
Net profit for the period	44,577
Shares issued at premium	782
At 30 June, 2003	415,748

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

	Six months ended	
	30.6.2003 (unaudited) HK\$'000	30.6.2002 (unaudited) HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,418	(17,811)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	83,129	(210,349)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(96,019)	227,572
DECREASE IN CASH AND CASH EQUIVALENTS	(5,472)	(588)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,919	3,609
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,447	3,021
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	5,447	3,021



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

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

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

In the current period, the Group has adopted, for the first time, the revised SSAP 12 “Income Taxes” (“SSAP 12 (Revised)”). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has not had any material impact on the financial statements. Accordingly, no prior period adjustment has been required.

The Group’s accounting policy for taxation following the adoption of SSAP 12 (Revised) is set out below:

**Taxation**

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.



## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

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

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

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 3. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two main operating business – property development and property investment. These businesses are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### Business segments

##### Results

	Property development		Property investment		Property management		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002	30.6.2003	30.6.2002	30.6.2003	30.6.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	–	11,702	5,672	–	–	534	5,672	12,236
Segment results	(3,576)	(148,020)	(2,252)	(541)	–	(191)	(5,828)	(148,752)
Unallocated corporate income							4,137	–
Unallocated corporate expenses							(2,360)	–
Finance costs							(2,667)	(2,695)
Share of result of a jointly controlled entity	60,888	–					60,888	–
Profit (loss) before taxation							54,170	(151,447)
Taxation							(9,593)	–
Net profit (loss) for the period							44,577	(151,447)

#### 4. LOSS FROM OPERATIONS

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation	1,046	972
Deficit on revaluation of investment properties	–	43
Gain on disposal of property, plant and equipment	–	(189)
Interest income	(561)	(201)

#### 5. FINANCE COSTS

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Total finance costs	3,300	5,410
Less: Interest capitalised in properties under development	(633)	(2,715)
	2,667	2,695

Interest capitalised during the period was calculated at a rate of approximately 3% (1.1.2002–30.6.2002: 7%) per annum.

## 6. TAXATION

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Income tax in the People's Republic of China (other than Hong Kong) (the "PRC") for current period	460	–
Share of taxation attributable to a jointly controlled entity	9,133	–
	<b>9,593</b>	<b>–</b>

No provision for Hong Kong Profits Tax is payable by the Company or its Hong Kong subsidiaries since they had no assessable profit for the period. Income tax arising in the PRC is calculated at the rates prevailing in the PRC.

The charge for the period can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Profit (loss) before taxation	54,170	(151,447)
Taxation at PRC income tax rate of 15%	8,126	(22,717)
Tax effect of tax losses for which deferred tax assets have not been recognised	1,938	1,831
Tax effect of income that is not taxable in determining taxable profit	(471)	–
Tax effect of expenses that are not deductible in determining taxable profit	–	20,886
Taxation for the period	<b>9,593</b>	<b>–</b>

A deferred tax asset of approximately HK\$8,029,000 (31.12.2002: HK\$5,462,000) has not been recognised in the financial statements in respect of tax losses available to offset future profits, due to the unpredictability of future profit streams.

## 7. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit for the period of approximately HK\$44,577,000 (2002: loss of HK\$151,447,000) and the weighted average of 827,625,000 (2002: 646,606,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares in issue.

For the six months ended 30 June, 2002, the computation of diluted loss per share has not assumed the exercise of the potential ordinary shares since their exercise would result in a reduction in loss per share.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,225,000 (1.1.2002–30.6.2002: HK\$157,000) on acquisition of property, plant and equipment.

At 30 June, 2003, certain of the Group's leasehold land and buildings situated in Hong Kong with carrying amounts of approximately HK\$51,442,000 (31.12.2002: HK\$51,923,000) were pledged to secure certain banking facilities granted to the Group.

## 9. INVESTMENT PROPERTIES

In the opinion of the Directors, there was no material change in the fair value of the Group's investment properties during the six months ended 30 June, 2003.

At 30 June, 2003, the Group's investment properties situated in Hong Kong and the PRC with carrying amount of approximately HK\$188,567,000 and HK\$4,057,000, respectively, (31.12.2002: HK\$180,741,000 and HK\$4,057,000) were pledged to secure certain banking facilities granted to the Group.

## 10. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 30 June, 2003, the Group had an interest in the following jointly controlled entity:

Name of entity	Place of registration	Registered capital	Proportion of nominal value of registered capital held by the Group	Nature of business
Shanghai Shimao Hubin Real Estate Company Limited ("Shimao Hubin") (Note)	PRC	US\$18,000,000	50%	Property development

Note: Shimao Hubin is a sino-foreign equity joint venture for a period of 20 years commencing from 19 April, 2002.

### Results for the six months from 1 January, 2003 to 30 June, 2003

	1.1.2003 to 30.6.2003 HK\$'000	19.4.2002 (date of establishment) to 30.6.2002 HK\$'000
Turnover	433,775	–
Profit from ordinary activities before taxation	121,776	–
Profit from ordinary activities before taxation attributable to the Group	60,888	–

## 10. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

### Financial position

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Non-current assets	1,183	1,297
Current assets	1,273,189	800,728
Current liabilities	(883,614)	(561,956)
Non-current liabilities	(141,476)	(94,297)
Net assets	249,282	145,772
Net assets attributable to the Group	124,641	72,886

## 11. PROPERTIES UNDER DEVELOPMENT

The Group's properties under development are situated in Hong Kong and are held under long lease.

At 30 June, 2003, the Group's properties under development with an aggregate carrying amount of approximately HK\$81,381,000 (31.12.2002: HK\$76,950,000) were pledged to secure banking facilities granted to the Group.

## 12. TRADE RECEIVABLES

The Group normally allows a credit period of one month to its trade customers. The aged analysis of trade receivables is as follows:

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Aged:		
Current	744	–
1 to 60 days overdue	–	476
61 to 90 days overdue	–	238
Over 90 days overdue	–	1,016
	744	1,730

### 13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January, 2002	1,000,000	100,000
Increase on 15 March, 2002	9,000,000	900,000
At 31 December, 2002 and 30 June, 2003	10,000,000	1,000,000
Issued and fully paid:		
At 1 January, 2002	313,316	31,332
Rights issue	485,706	48,571
Exercise of warrants	25,959	2,595
At 31 December, 2002	824,981	82,498
Exercise of warrants ( <i>Note</i> )	2,659	266
At 30 June, 2003	827,640	82,764

*Note:* During the period, 2,658,853 shares of HK\$0.1 each were issued for cash at a subscription price of HK\$0.294 per share pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of approximately HK\$782,000.

These shares rank *pari passu* with all other shares in issue in all respects.



#### 14. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Shareholder's contribution HK\$'000	Leasehold land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Accumulated profits/ (losses) HK\$'000	Total HK\$'000
At 1 January, 2002	47,473	47,654	-	9,624	-	13,237	8,464	126,452
Rights issue	267,139	-	-	-	-	-	-	267,139
Share issue expenses	(1,874)	-	-	-	-	-	-	(1,874)
Exercise of warrants	28	-	-	-	-	-	-	28
Released on disposals	-	-	-	(347)	-	-	-	(347)
Deficit on revaluation not recognised in the consolidated income statement	-	-	-	(9,277)	-	-	-	(9,277)
Net loss for the period	-	-	-	-	-	-	(151,447)	(151,447)
At 30 June, 2002	312,766	47,654	-	-	-	13,237	(142,983)	230,674
Exercise of warrants	5,008	-	-	-	-	-	-	5,008
Realised upon the disposal of subsidiaries	-	-	-	-	-	(13,237)	13,237	-
Surplus on revaluation of investment properties	-	-	-	-	13,320	-	-	13,320
Arising from acquisition of subsidiaries	-	-	48,557	-	-	-	-	48,557
Net loss for the period	-	-	-	-	-	-	(9,668)	(9,668)
At 31 December, 2002	317,774	47,654	48,557	-	13,320	-	(139,414)	287,891
Exercise of warrants	516	-	-	-	-	-	-	516
Net profit for the period	-	-	-	-	-	-	44,577	44,577
At 30 June, 2003	318,290	47,654	48,557	-	13,320	-	(94,837)	332,984

## 15. COMMITMENTS

As at 30 June, 2003, the Group had the following commitments contracted for but not provided in the financial statements:

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Commitments in respect of development expenditure for properties under development	8,106	4,377
Commitments in respect of refurbishment expenditure for investment properties	25,965	24,189
Commitments in respect of acquisition of property, plant and equipment	–	2,290
	<b>34,071</b>	<b>30,856</b>

## 16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following related party transactions:

	Ultimate holding company		Related companies in which certain directors have beneficial interests		Jointly controlled entity	
	Six months ended		Six months ended		Six months ended	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002	30.6.2003	30.6.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	73	–	541	–	–	–
Interest income	–	–	–	–	560	–
Service fee income	–	–	1,455	–	–	–

These transactions were transacted at terms agreed between the parties and in accordance with the relevant agreements governing the transactions.

## DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 2003 (2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

For the six months ended 30 June, 2003, the Group successfully returned to profitability with an unaudited turnover of approximately HK\$5,672,000 (2002: HK\$12,236,000). Profit attributable to shareholders was approximately HK\$44,577,000 (2002: loss of HK\$151,447,000). The main profit contribution came from the Shanghai Shimao Lakeside Garden project, which recorded a turnover of about HK\$433,775,000 for the period in accordance with SSAP and its profit before taxation attributable to the Group for the six months ended 30 June, 2003 was approximately HK\$60,888,000, representing a breakthrough in the Group's profitability.

### BUSINESS REVIEW


During the period under review, with its ongoing commitment to developing premium and quality properties in the PRC and Hong Kong, the Group continued the development of its property projects with their strong market potential. These projects include "The Genesis", a luxury residential property in Hong Kong, Shanghai Shimao Lakeside Garden, Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province, and the shop units at Epoch Centre in Beijing.

#### **"The Genesis" – enhancing its profit potential**

The redevelopment of "The Genesis", a luxury residential property owned by the Group, commenced in September 2002. The total investment for the redevelopment will amount to about HK\$90,000,000. It is expected to be launched in the market in 2004. The existing main building will be retained, while two detached four-storey houses will be erected in adjacent areas.

#### **Shanghai Shimao Lakeside Garden – high value property project**

Shanghai Shimao Lakeside Garden ("Lakeside Garden"), which the Group owned 50% interest, is a large-scale and up-market residential property. It is located at Jinyang Shenghuoyuanqu, Jin Qiao, Pudong, Shanghai. The project is expected to be completed in 2004 and its total investment is approximately HK\$420,000,000.



Two high-rise residential buildings and four townhouse areas at Lakeside Garden were launched from September 2002 to July 2003. The properties were well received in the market, leading to an outstanding sales figure which ranked the project seventh in property sales revenue in Shanghai last year. By the end of July 2003, more than 400 units in Blocks 1 and 2 of the high-rise residential buildings and over 130 townhouses had been sold, with accumulated sales revenue totaling approximately RMB1,639,000,000. The entire project, expected to be completed by 2004, is an important source of future income for the Group and is expected to bring in a total sales revenue of approximately RMB2,600,000,000.

#### **Dong Fang Hong Shopping Centre and shop units at Epoch Centre – consolidating the Group’s revenue base**

Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province and several premium shop units at Epoch Centre in Beijing, the Group’s properties, are situated at the city centres with high traffic flows and convenient access. They continued to bring in stable and satisfactory rental incomes for the Group in the first half of 2003.

#### **Full operation of the new office**

In early 2003, the Group moved into its own office premises at Convention Plaza in Wanchai, which has become the Group’s operation base in Hong Kong. This move manifests the Group’s long-term development and commitment to be based in Hong Kong with an eye on the PRC.

#### **OUTLOOK**

With the rapid economic growth in the PRC and the rising living standards of its people, Shanghai is going to have a new round of exciting and dramatic development. This will create a healthier, more stable and orderly social and economic environment. To capitalise on such a favourable climate, the Group will launch Blocks 3 and 4 of the high-rise residential buildings of Lakeside Garden in the second half of 2003. As such, the Group believes that the sale of these properties will exceed expectations.

According to government statistics released by the Shanghai Municipal Statistics Bureau on 10 July, 2003, growth of the Shanghai property market in the first half of 2003 increased 8.1% against the corresponding period last year, accounting for approximately 6.4% of the city’s GDP. The demand for properties remains strong. The Group expects the market values of mid and up-market properties in Shanghai to maintain their growth momentum and believes that the development potential of the Shanghai property market is still very strong.

Moreover, the Hong Kong property market is gradually improving. The Group is set to carry out its plan to develop premium properties in Hong Kong in due course and it is expected to have good return in future.



Over the years, the Group has been committed to developing premium and quality property projects in the PRC and Hong Kong. The efforts of the Group last year reflect its dedication and commitment to this business development. Capitalising on rising living standards in the PRC and the renewed vigour in the reviving Hong Kong economy, the Group will do its best to add value to its projects and satisfy market demand with its outstanding brand name, consistent corporate strategies and high calibre management. Through its continued efforts to upgrade the “Shimao” brand name and its product quality, the Group aims to create a brighter future and to generate better returns for its shareholders.

## **OPERATING CAPITAL AND FINANCIAL RESOURCES**

### **Assets/Financial Ratio**

As at 30 June, 2003, the Group’s non-current assets were HK\$666,309,000 (31.12.2002: HK\$600,107,000), representing an increase of 11% over the end of last year. Current assets were about HK\$27,690,000 (31.12.2002: HK\$110,343,000). The current ratio of the Group (ie. current assets/current liabilities) was 0.84 (31.12.2002: 2.87). Shareholders’ equity was HK\$415,748,000 (31.12.2002: HK\$370,389,000). The total bank borrowings of the Group were HK\$180,489,000 (31.12.2002: HK\$187,259,000). In this regard, the debt-equity ratio was 0.43 (31.12.2002: 0.51), which was improved in compare with the end of last year.

### **Pledge of Assets**

As at 30 June, 2003, the Group’s assets representing total amount of HK\$325,447,000 (31.12.2002: HK\$313,671,000) of land and properties were pledged to secure certain banking facilities granted to the Group.

### **Bank Borrowings**

As at 30 June, 2003, the bank borrowings of the Group were HK\$180,489,000 (31.12.2002: HK\$187,259,000), representing a decrease of 4% over the end of last year.

### **Contingent Liabilities**

The Company has given guarantees in favour of bankers to the extent of HK\$196,000,000 (31.12.2002: HK\$196,000,000) in respect of banking facilities granted to subsidiaries of the Company. As at 30 June, 2003, the banking facilities utilised by the subsidiaries amounted to approximately HK\$178,150,000 (31.12.2002: HK\$184,683,000).

## Exchange Risk

Most of the transactions of the Group are in Hong Kong dollars and Renminbi. As at 30 June, 2003, the exchange rate of Hong Kong dollars against Renminbi is relatively stable, the Group was not exposed to material foreign exchange risk. No hedging has been arranged for those Group's transactions which are in foreign currencies.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June, 2003, the Group has about 100 employees. They were remunerated according to the Group's current remuneration structure. The bonus scheme will be applied taking into consideration the performance of the Group and individual staff. Other staff benefits include mandatory provident fund scheme, medical insurance, training subsidy, share option scheme, etc.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

At 30 June, 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise 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 contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Interests in the Company

Name of Director	Number of ordinary shares			Total
	Personal Interests	Family Interests	Other Interests	
Mr. Hui Wing Mau	–	–	618,571,397 (Note 1)	618,571,397
Ms. Hui Mei Mei, Carol	–	–	618,571,397 (Note 1)	618,571,397
Mr. Hui Sai Tan, Jason	–	–	618,571,397 (Note 1)	618,571,397
Ms. Lee Yuk Ying	5,100	1,222,000 (Note 2)	–	1,227,100

## Interests in an associated corporation

Name of associated Corporation	Name of Director	Corporate Interests
Shanghai Shimao Hubin Real Estate Company Limited (“Shimao Hubin”)	Mr. Hui Wing Mau	50% equity interest (equivalent to US\$9,000,000) (Note 3)

### Notes:

- (1) The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau for the benefit of his wife and children. Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are the children of Mr. Hui Wing Mau and accordingly, Mr. Hui Wing Mau, Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of section 345(4) of the SFO.
- (2) The interest disclosed represents the family interest of Ms. Lee Yuk Ying in the Company held by her spouse by virtue of section 344(1) of the SFO.
- (3) The interest disclosed represents the corporate interest of Mr. Hui Wing Mau in 50% equity interest in Shimao Hubin which is held by Shanghai Shimao Jianshe Company Limited, a company incorporated in the PRC and is indirectly controlled by Mr. Hui Wing Mau, by virtue of section 344(3) of the SFO.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

## SHARE OPTIONS

Under the terms of the share option scheme adopted by the Company, the Board may, at their discretion, grant options to employees of the Group, including executive directors of the Company, to subscribe for shares in the Company.

During the period, there is no outstanding share option and no share options were granted or exercised during the period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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

At 30 June, 2003, the following persons (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of shares held	Percentage of shareholding
Perfect Zone International Limited	618,571,397 ( <i>Note</i> )	74.74%
Overseas Investment Group International Limited	618,571,397 ( <i>Note</i> )	74.74%
Ansbacher (BVI) Limited	618,571,397 ( <i>Note</i> )	74.74%

*Note:* The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau, a director of the Company, for the benefit of his wife and children.

Save as disclosed above, no other person (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### AUDIT COMMITTEE

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited consolidated interim financial statements for the six months ended 30 June, 2003.

### CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June, 2003, except that the independent non-executive directors of the Company were not appointed for any specific terms as they are subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the bye-laws of the Company.

### APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to extend my heartfelt appreciation to our shareholders and business partners for their support and trust.

By Order of the Board  
**Hui Wing Mau**  
*Chairman*

Hong Kong, 20 August, 2003