



Shanghai Century Holdings Limited

上海世紀控股有限公司

(Incorporated in Bermuda with limited liability)

03

Interim
Report



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The Board of Directors (the “Board”) of Shanghai Century Holdings Limited (the “Company”) is pleased to announce the unaudited condensed interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2003 (the “period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

| | Notes | Six months ended | |
|---|-------|--|--|
| | | 30th June, 2003 | 30th June, 2002 |
| | | Continuing operation HK\$'000 (Unaudited) | Discontinued operation HK\$'000 (Unaudited) |
| TURNOVER | 4 | 280,884 | 430,356 |
| Cost of sales | | (186,190) | (414,071) |
| GROSS PROFIT | | 94,694 | 16,285 |
| Other revenue | | 1,301 | 975 |
| Distribution costs | | (1,697) | – |
| Administrative expenses | | (7,014) | (25,282) |
| PROFIT/(LOSS) FROM OPERATION | 5 | 87,284 | (8,022) |
| Finance costs | | – | (591) |
| Release of negative goodwill to income | | 5,137 | – |
| Share of results of associates | | (6,368) | – |
| PROFIT/(LOSS) BEFORE TAXATION | | 86,053 | (8,613) |
| Taxation | 6 | (13,057) | – |
| PROFIT/(LOSS) BEFORE MINORITY INTERESTS | | 72,996 | (8,613) |
| Minority interests | | (27,994) | 75 |
| NET PROFIT/(LOSS) FOR THE PERIOD | | 45,002 | (8,538) |
| Profit/(loss) per share | | | |
| Basic | 8 | 1.04 cents | (0.21 cents) |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

| | Notes | 30th June, 2003 HK\$'000 (Unaudited) | 31st December, 2002 HK\$'000 (Audited) |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 3,155 | 361 |
| Negative goodwill | | (71,923) | – |
| Interests in associates | | 26,252 | 32,621 |
| Investment in securities | | – | 12,564 |
| | | <u>(42,516)</u> | <u>45,546</u> |
| CURRENT ASSETS | | | |
| Land and property held for/under development for sale | 10 | 287,874 | – |
| Deposits for property development | | 300,132 | – |
| Investment in securities | | 7,222 | – |
| Other investment | 11 | 47,170 | – |
| Trade and other receivables | 12 | 13,931 | 70,082 |
| Bank balances and cash | | 127,063 | 22,477 |
| | | <u>783,392</u> | <u>92,559</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 91,013 | 260 |
| Bills payable | | 125,472 | – |
| Bank loans (secured) | | 56,604 | – |
| Amount due to a related company | | 835 | – |
| Taxation | | 13,522 | – |
| | | <u>287,446</u> | <u>260</u> |
| NET CURRENT ASSETS | | <u>495,946</u> | <u>92,299</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>453,430</u> | <u>137,845</u> |
| NON-CURRENT LIABILITIES | | | |
| Minority interests | | 115,007 | – |
| Bank loans (secured) | | 141,509 | – |
| Deferred taxation | 14 | 14,067 | – |
| | | <u>270,583</u> | <u>–</u> |
| NET ASSETS | | <u>182,847</u> | <u>137,845</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 86,616 | 86,616 |
| Reserves | | 96,231 | 51,229 |
| | | <u>182,847</u> | <u>137,845</u> |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2003

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Property revaluation reserve <i>HK\$'000</i> | Special capital reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|---|---|--|--|--------------------------|
| As 1st January, 2002 | 79,616 | 68,252 | 1,074 | 5,495 | 68,541 | (202,216) | 20,762 |
| Issue of shares, net of expenses | 7,000 | 103,777 | - | - | - | - | 110,777 |
| Net loss for the period | - | - | - | - | - | (8,538) | (8,538) |
| At 30th June, 2002 | 86,616 | 172,029 | 1,074 | 5,495 | 68,541 | (210,754) | 123,001 |
| Released upon disposal of subsidiaries | - | - | - | (5,495) | - | - | (5,495) |
| Net profit for the period | - | - | - | - | - | 20,339 | 20,339 |
| At 31st December, 2002 | 86,616 | 172,029 | 1,074 | - | 68,541 | (190,415) | 137,845 |
| Net profit for the period | - | - | - | - | - | 45,002 | 45,002 |
| At 30th June, 2003 | <u>86,616</u> | <u>172,029</u> | <u>1,074</u> | <u>-</u> | <u>68,541</u> | <u>(145,413)</u> | <u>182,847</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

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| | Six months ended | |
|--|---|---|
| | 30th June, 2003 <i>HK\$'000</i> (Unaudited) | 30th June, 2002 <i>HK\$'000</i> (Unaudited) |
| NET CASH (USED IN)/GENERATED FROM OPERATION | (15,720) | 21,360 |
| NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES | 106,155 | (1,547) |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | 14,151 | 112,112 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 104,586 | 131,925 |
| CASH AND CASH EQUIVALENTS AT 1ST JANUARY | 22,477 | 83 |
| CASH AND CASH EQUIVALENTS AT 30TH JUNE | 127,063 | 132,008 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 127,063 | 132,064 |
| Bank overdrafts | – | (56) |
| | 127,063 | 132,008 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

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1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The adoption of the revised and new accounting policies had effect on the results for the current accounting period and appropriate adjustment is required. However, there had no significant effect on the results for the prior accounting periods. Accordingly, no prior period adjustment is required and no comparative amounts have been restated.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future.

SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the investment in securities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 realized. 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.

Land and property held for/under development for sale

Land and property held for/under development for sale are stated at cost which comprises land at cost, development and construction expenditures, borrowing costs capitalized and other direct costs attributable to the development less impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in the construction and sales of properties (excluding proceeds on development properties sold prior to their completion).
- (b) the sale of air tickets segment engages in the sale of air tickets and provision of travel related services.
- (c) the property investment segment engages in leasing of properties.

In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers.

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

The following table presents revenue and results for the six months ended for the business segments of the Group.

| | Property development | | Sales of air tickets (Discontinued) | | Property Investment (Discontinued) | | Consolidated | |
|------------------------------|----------------------|------------------|--|------------------|---------------------------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | 280,884 | - | - | 430,356 | - | - | 280,884 | 430,356 |
| Other revenue | 978 | - | - | - | - | - | 978 | - |
| Total | 281,862 | - | - | 430,356 | - | - | 281,862 | 430,356 |
| Segment results | 93,504 | - | - | (1,350) | - | (135) | 93,504 | (1,485) |
| Unallocated other revenue | | | | | | | 324 | 67 |
| Unallocated expenses | | | | | | | (6,544) | (6,604) |
| Profit/(loss) from operation | | | | | | | 87,284 | (8,022) |

(b) Geographical segments

The following table presents revenue and results for the six months ended for the geographical segments of the Group.

| | Hong Kong | | People's Republic of China | | Consolidated | |
|-----------------------------|------------------|------------------|-------------------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Segment revenue: | | | | | | |
| Sales to external customers | - | 430,356 | 280,884 | - | 280,884 | 430,356 |
| Segment results | - | (1,485) | 93,504 | - | 93,504 | (1,485) |

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5. PROFIT/(LOSS) FROM OPERATION

Profit from operation for the current period has been arrived at after charging depreciation of HK\$277,000 (2002: HK\$805,000).

6. TAXATION

| | Six months ended | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Current tax | | |
| Hong Kong | – | – |
| Other jurisdictions | 13,522 | – |
| | <u>13,522</u> | <u>–</u> |
| Deferred tax (<i>note 14</i>) | | |
| Current period | (465) | – |
| | <u>(465)</u> | <u>–</u> |
| Taxation attributable to the Company and its subsidiaries | <u>13,057</u> | <u>–</u> |

Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

There was no dividend paid during the period (2002: Nil).

8. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the net profit for the six months ended 30th June, 2003 of HK\$45,002,000 (six month ended 30th June, 2002: loss of HK\$8,538,000) and on the weighted average number of 4,330,782,558 (six months ended 30th June, 2002: 4,021,390,293) shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the six months ended 30th June, 2003 and 30th June, 2002.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired a subsidiary, disclosed in note 16(b), which contributed appropriately HK\$2,960,000 to the Group's property, plant and equipment.

10. MOVEMENT IN LAND AND PROPERTY HELD FOR/UNDER DEVELOPMENT FOR SALE

During the period, the Group's land and property held for/under development for sale was wholly contributed as the result of acquisition of a subsidiary as disclosed in note 16(b).

11. OTHER INVESTMENT

The other investment as at 30th June, 2003 represented the payment made by the newly acquired subsidiary to an independent third party of HK\$47,170,000 (equivalent to RMB50,000,000) (31.12.2002: Nil) for certain proposed investments.

12. TRADE AND OTHER RECEIVABLES

At 30th June, 2003, included in trade and other receivables are trade receivables of HK\$ 8,181,000 (31.12.2002: Nil).

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

| | 30th June, 2003 <i>HK\$'000</i> (Unaudited) | 31st December, 2002 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0 – 30 days | 5,563 | – |
| 31 – 60 days | – | – |
| Over 60 days | 2,618 | – |
| | <hr/> | <hr/> |
| | 8,181 | – |
| | <hr/> <hr/> | <hr/> <hr/> |

13. TRADE AND OTHER PAYABLES

At 30th June, 2003, included in trade and other payables are trade payables of HK\$ 76,903,000 (31.12.2002: Nil).

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

| | 30th June, 2003 HK\$'000 (Unaudited) | 31st December, 2002 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 30 days | 76,841 | – |
| 31 – 60 days | – | – |
| Over 60 days | 62 | – |
| | <u>76,903</u> | <u>–</u> |

14. DEFERRED TAXATION

The following are the major deferred tax liabilities and liabilities recognized by the Group and movements thereon during the current and prior periods:

| | 30th June, 2003 HK\$'000 (Unaudited) | 31st December, 2002 HK\$'000 (Audited) |
|--|--|--|
| At 1st January | – | – |
| Credit to income statement (<i>note 6</i>) | 465 | – |
| Charge to equity | (14,532) | – |
| | <u>(14,067)</u> | <u>–</u> |

The deferred tax liabilities are due to temporary difference caused by acquisition of a subsidiary during the period. No comparative figures are shown because all the deferred tax liabilities are related to the acquisition of a subsidiary, which are consolidated in 2003. There was no deferred tax assets recognized and unrecognized by the Group.

15. SHARE CAPITAL

| | Number of Shares | Amount <i>HK\$'000</i> |
|--|----------------------|---------------------------|
| Ordinary shares of HK\$0.02 each | | |
| <i>Issued and fully paid:</i> | | |
| Balance at 31st December, 2002 and 30th June, 2003 | <u>4,330,782,558</u> | <u>86,616</u> |

16. ACQUISITION OF SUBSIDIARIES

- (a) On 12th August, 2002, the Group entered into a joint venture agreement with an independent third party to establish a joint venture ("Joint Venture") in the PRC which will be principally engaged in travel related business in PRC, including golf and tourist resort management and other related services.

Pursuant to the joint venture agreement, on 3rd March, 2003, the Group contributed RMB18,200,000 (equivalent to approximately HK\$17,010,000) in the joint venture.

Upon the completion of this transaction, the Group owned 91% of the registered capital of the joint venture. The joint venture established by the Group and a partner in the PRC for a period of 50 years from the date of issue of the business license of the joint venture. Subject to the 9% of contribution of registered capital of the PRC partner, the Group is entitled to other 91% of the profits and loss shared.

There was no business commenced for the joint venture, and the effect of the acquisition is only subject to the capital contribution. This transaction has been accounted for using the purchase method of accounting.

- (b) On 28th February, 2003, the Group acquired 65% of the issued share capital of Shanghai Zendai Real Estate Company Limited ("Zendai Land"), for cash consideration of HK\$66,849,000. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarized as follows:

| | |
|--|-----------------|
| | <i>HK\$'000</i> |
| Identifiable net assets acquired | 143,909 |
| Negative goodwill arising on acquisition | <u>(77,060)</u> |
| Consideration | <u>66,849</u> |

16. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The bank and cash balance acquired was HK\$101,769,000, and Zendai Land made significant contribution to the results of the Group, which was approximately HK\$76,622,000 during the interim period.

The following is the new subsidiaries acquired during the six months ended 30th June, 2003.

| Name of company | Registered capital | Proportion of nominal value of registered capital held by the Group Indirectly | Principal activities |
|---|--------------------|--|-------------------------------------|
| Shanghai Zendai Real Estate Company Limited 上海証大置業有限公司 | RMB100,000,000 | 65% | Property management and development |
| 上海証大高爾夫旅游度假村有限公司 | RMB20,000,000 | 91% | Not yet commence business |

17. CAPITAL COMMITMENT

At 30th June, 2003, the Group had authorized capital expenditure of approximately HK\$752,053,000 in construction contracts, of HK\$2,100,000 in other contracts, and capital contribution of approximately HK\$3,690,000 in an investment as disclosed in Note 19, contracted for but not provided in the financial statements.

18. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

As disclosed in the Group's annual financial statements for the year ended 31st December, 2002, the Group had certain transactions with related parties:

- (a) Pursuant to the agreement dated on 29th September, 2002, the Group purchased 65% interest in Zendai Land for a total consideration of RMB70,000,000 (equivalent to approximately HK\$66,849,000). The transaction was completed on 28th February, 2003 and the registered capital of Zendai Land is owned as to 65% by the Group as disclosed in Note 16(b) above.
- (b) On 20th February, 2003, Mr. Dai Zhi Kang, the director of Giant Glory Assets Limited ("Giant Glory") and the board of directors of the Company jointly announced that on 17th February, 2003:
 - (i) Mr. Dai Zhi Kang entered into the agreement with Mr. He Xuechu, pursuant to which Mr. He Xuechu agreed to dispose of and Mr. Dai Zhi Kang agreed to acquire 50% of the issued share capital of Giant Glory; immediately after completion of such acquisition, Mr. Dai Zhi Kang has become the sole owner of the entire issued share capital of Giant Glory; and

18. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (ii) Giant Glory entered into the agreement with Peak Smart Holdings Limited (“Peak Smart”), pursuant to which Giant Glory agreed to purchase and the Peak Smart agreed to sell 500,000,000 shares of the Company for a consideration of HK\$25 million (equivalent to HK\$0.05 per share). The aggregate of 500,000,000 shares represent approximately 11.55% of the entire issued share capital of the Company as at the 24th March, 2003.

Immediately prior to completion, Giant Glory owned 1,600,000,000 Shares, representing approximately 36.95% of the entire issued share capital of the Company. Save for the 1,600,000,000 Shares and 10,000,000 Shares (approximately 0.23% of the entire issued share capital of the Company) held by Giant Glory and Mr. He Xuechu as his personal interests respectively, Giant Glory, Mr. Dai Zhi Kang, Mr. He Xuechu and parties acting in concert with any of them do not have any shareholding interest in the Company prior to completion.

Upon completion, Giant Glory, Mr. Dai Zhi Kang and parties acting in concert with any of them, owned an aggregate of 2,110,000,000 Shares, representing approximately 48.72% of the entire issued share capital of the Company as at the 24th March, 2003. As at the 24th March, 2003, there were 4,330,782,558 Shares in issue.

Under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Giant Glory and Mr. Dai Zhi Kang are required to make a mandatory conditional general offer (“the Offer”) for all the issued shares not already owned by them or parties acting in concert with them, which were equivalent to 2,220,782,558 shares. The Offer opened on 28th March, 2003 and closed on 22nd April, 2003.

19. POST BALANCE SHEET EVENT

On 6th June, 2003, the Group entered into an agreement to purchase 60% interest in Wah Kong Travel Limited (“Wah Kong”) in consideration of HK\$3,690,000. The agreement was made between the Group and the shareholders of Wah Kong. The transaction was completed on 3rd July, 2003 and the share capital of Wah Kong is owned as to 60% by the Group. Wah Kong is principally engaged in organizing travel tours, provision of hotel rooms booking services and tickets booking services.

20. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 1st September, 2003.

BUSINESS REVIEW AND PROSPECT

On behalf of the Board of Directors of Shanghai Century Holdings Limited (“the Company”), I am pleased to present the unaudited interim results for the Company and its subsidiaries (“the Group”) for the six months ended 30th June, 2003.

Financial Performance

For the six months ended 30th June, 2003, the Group built on the successful profit turnaround in financial year 2002 and attained further significant achievement. The unaudited turnover reached approximately HK\$280,884,000 (30th June, 2002: HK\$430,356,000). Profit attributable to shareholders amounted to approximately HK\$45,002,000 (30th June, 2002: HK\$8,538,000 Net loss). The revenue contribution is mainly attributed to the sales of “Zendai Jia Yuan”, which recorded an accumulated sales revenue of approximately HK\$280,000,000. Furthermore, as the Group has undertaken active business reform and implemented continuous effective cost control measures during the period under review, thus a satisfactory financial performance was achieved. Basic earnings per share were HK\$1.04 cents (30th June, 2002: loss HK\$0.21 cents).

Dividends

The Board of Directors does not recommend the payment of an interim dividend. (2002: nil)

Business Review

2003 signified a new milestone for the Company in revamping its business development after the successful corporate restructuring undergone in the previous year. The management has been continuously mapping out new business strategies and bringing in new business opportunities. Following the injection of 25% interest in the registered capital of “Shui Qing Mu Hua” in the beginning of last year, Shanghai Century also completed the acquisition of 65% shareholdings in Zendai Land in late February this year, while the Chairman of the Group, Mr Dai Zhi Kang has successfully completed the general offer to shareholders of Shanghai Century and became the major shareholder possessing 58.16% interest in the Company. Not only did all these signify completion of the Company’s reform in the fundamental business framework, through changing the Company’s shareholdings, the shareholdings’ structure of the Group can also be further consolidated.

Regarding the management structure, introduction of new members to the Board brought a new growth driver to the Company. The new members include Mr. Zhu Nan Song, Mr. Huang Su Dong, Mr. Zhao Hang Sheng, Mr. Zhang Wei and Mr. Tang Jian. The new management team possesses extensive experience in the operation of property industry and capital market, we hope they can join hands and excel with Shanghai Century to further enhance the Company’s brand value, to fully exploit the capital and human assets of the Group and attain a sustained surge.

BUSINESS REVIEW AND PROSPECT (CONTINUED)

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Business Review (Continued)

In the first half of 2003, the property market in Shanghai was hampered by the outbreak of the Severe Acute Respiratory Syndrome (SARS), large-scale property exhibitions have had to be postponed and many new property sites adopted low-profile marketing plans. However, according to the April and May research reports of 中房 regarding the index for Shanghai offices, the entire property market in Shanghai has not reached a slump that most people had worried about. On the contrary, the market on the whole maintained a flamboyant demand and supply. It even reached a historic high, while the property price index continued to maintain gradual improvement. Therefore, the impact of the SARS outbreak on the Shanghai property market was limited and has not hindered the sustained surge of the market.

The Group has been focusing on property investment and development in the Mainland property market and it has established a profound reputation in Shanghai. During the period under review, the Company continued to develop the property business in Shanghai and its surrounding area, actively identifying sites and property development projects with high growth potential and committing its efforts to expanding its travel related businesses so as to consolidate the capital structure of the Group, improve the revenue generating ability, widen the income stream in addition to strengthening its status as a leading property developer.

Leveraging the management effort, 上海證大三角洲置業有限公司 (formerly known as Shanghai New Century Shui Qing Mu Hua Property Development Company Limited), in which Shanghai Century holds 25% shareholdings, attained an outstanding performance ranking 16th in the inaugural launch of “50 Best Fundamental Property Developing Corporations in the Shanghai City”. Moreover, the two flagship property projects of the Group - Shui Qing Mu Hua and Zendai Jia Yuan, gained all five awards in the 3rd “Shanghai Best Residential Properties Competition” co-organised by the 上海市住宅產業協會 and the 上海市房地產業協會 held in 12th June, 2003. This included the award for “Best Planning and Design”, the “Best Housing Design”, the “Best Greenery”, the “Best Technology-applied Residential” and lastly the “Best Furnishings and Decoration”. The properties have become the “Best Residential Properties in Shanghai” and achieved exceptionally outstanding performance. Not only do the awards honor the corroboration for the high quality property projects we offer but also provide a consolidation of the leading position of Shanghai Century among the Shanghai property developers.

Both Shui Qing Mu Hua and Zendai Jia Yuan are mid to high-end luxurious residential developments located in the prime area of Pudong, Shanghai, famous for its tranquil environment. An overwhelming market response has been received since the projects were opened for sale. The developments of Shui Qing Mu Hua high-rise apartments comprised of two phases with 855 units in total. During the period under review, sales of the first phase were satisfactory with over approximately 80% of the 432 units sold. In view of this, the management has planned to restructure a few blocks of the second phase into service apartments which are expected to be launched very soon as the Group’s properties for lease. While the Zendai Jia Yuan project is developed in four phases, a 100% sales has been reached for the first and the second phase representing 1,600 units sold in total. Development for the third phase also commenced in June this year and is planned to be opened for sale during the year.

BUSINESS REVIEW AND PROSPECT (CONTINUED)

Business Review (Continued)

To enhance Shanghai Century's business portfolio, the Group also penetrates into other travel-related businesses in addition to developing luxurious property projects in Shanghai. The Group signed a conditional acquisition agreement in June this year to acquire 60% shareholdings in Hong Kong Wah Kong Travel Limited ("Wah Kong") at a consideration of HK\$3.69 million and the acquisition was completed in July.

Wah Kong was jointly established by several experienced travel and hotel management professionals. Since Wah Kong commenced operation in November 2001, it is principally engaged in organizing Hong Kong, Macau and Taiwan tours as well as providing hotel-booking services for customers in the PRC and also involved in the ticket sales business. In a year and a half, it has been able to swiftly penetrate into the Hong Kong and Macau market and establish close business connections with nearly a hundred local and overseas travel institutions, including an extensive business network of travel and hotel suppliers, it is also well-received and highly recognized in the industry. Leveraging its proactive and aggressive operating strategies with an experienced management team, Wah Kong served more than 96,600 travelers in 2002 and recorded a turnover of HK\$30 million, with net profit reaching HK\$2.55 million.

Upon completion of the acquisition, Wah Kong would work closely with related airlines and actively seek out opportunities to develop the whole-flight reservation business for routes which promise high growth potential, at the same time continuing to strengthen and enrich its complementary facilities, in order to diversify its travel-related business development. This would include the provision of business trips, overseas tours, local out-of-border tours in addition to meeting arrangement services etc.. Building on all these competitive edges, Wah Kong is committed to becoming an agent which possesses the most extensive network in providing hotel arrangement services to the PRC market.

Furthermore, being the chairman of both Shanghai Century and the Zendai Group, Mr. Dai Zhi Kang and his management team put strong emphasis on the synergies of the business development of Shanghai Century and the Zendai Group. In view of this, the Group has established a hotel management company during the period to actively participate in enriching the property business of the Zendai Group and to provide them residential properties, service apartments and hotel management services. The management hopes that by leveraging the Group's extensive experience in property development and its comprehensive travel auxiliary services, together with Wah Kong's existing pool of professionals, who are equipped with a wide spectrum of experience in hotel management; hotels and customer connections can be provided to Shanghai Century. Furthermore, the Group can also begin establishing and cultivating its own hotel management teams, developing and setting up its own properties and hotel management brand names and hence extending larger rooms for growth for the Group's long term development.

Currently, the Zendai Group invested and developed two projects, named as 聯洋商城 and 證大藝術中心大酒店.

BUSINESS REVIEW AND PROSPECT (CONTINUED)

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Business Review (Continued)

The total investment for the 聯洋商城 project was RMB600 million, it commenced construction in June this year and is due to be completed by the end of 2005. It will become a regional commercial centre offering business services for the 50,000 people in 聯洋 regional community and the 100,000 people in its surrounding area.

證大藝術中心大酒店, which is located at the opposite of Pudong International Expo Centre and at the south of Century Park, is close to the main railway station as well as the final stop of magnetic levitation train. Costing approximately RMB1.3 billion, it will be designed by a famous Japanese architect, Arata Isozaki. Its gross floor area reaches approximately 133,800 square metres and is made up of 15,000 square metres of sophisticated A-class offices, 62,000 square metres of 5-star artistic hotel rooms (totalling 500), approximately 20,000 square metres of art and cultural exhibition centres and 36,800 square metres of hotel-serviced apartments, shopping centres and auxiliary rooms. 證大藝術中心大酒店 will commence development in the next year and is due for completion in 2008.

Outlook

Robust growth in the Mainland Chinese economy brings not only immense market opportunities to the Company, but also drives the Company towards international promotional and marketing campaigns. All the major economic provinces and cities in the PRC are gradually gearing up for the World Expo organized in Shanghai in 2010, actively devising various large-scale international economic trade fairs. Besides this, exhibitions on Shanghai properties are also highly diversified. These types of global marketing campaigns are aligned with the promotional plans of the Shui Qing Mu Hua service apartments to be launched, those of the villas and the third phase of Zendai Jia Yuan. It is believed that their sales and lease-out rate will be better than expected by then.

The management strongly believed that the service apartments and the second phase of Shui Qing Mu Hua, the third and fourth phase of Zendai Jia Yuan as well as the villas of Shui Qing Mu Hua which commenced development in July would bring a sustained and stable revenue contribution to the Group's property businesses in the current, 2004 and 2005 financial year.

Additionally, as we see the travel industry as being one of the main pillars of the Hong Kong economy, following the endorsement of various travel hot-spots development projects such as the Disney, 大埔濕地國際公園, 海洋奇觀 and the brand new 維多利亞海濱長廊, coupled with the unrelenting support offered by the Hong Kong SAR government to the territory's travel industry and a much higher flexibility for the Mainland residents to travel to Hong Kong, therefore we have every confidence in the prospect of the local travel industry. Besides, as a high growth rate has been sustained by the China economy in these recent years and the living standard of people has been further enhanced, the travel business in mainland China is experiencing a vigorous growth. We believe the synergies created as a result of our investment in travel and related businesses will enable the Group to seize business opportunities posed by the flourishing travel industry in Hong Kong and the PRC.

BUSINESS REVIEW AND PROSPECT (CONTINUED)

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Outlook (Continued)

Looking ahead, after the signing of CEPA, Shanghai and Hong Kong, which are located in the Zhang Jiang and Zhu Jiang Delta region respectively, will forge closer cooperation. The management will further strengthen the synergies of the business development of Shanghai Century and the Zendai Group. Building on the solid foundations in addition to the extensive experience in property management in the territory, the Zendai Group is also actively developing comprehensive and extensive offices, commercial shopping centres, hotels and travel-related business project so as to turn the Group's mission of developing a extensive travel and property idea, focusing on hotel development, into reality. Therefore through developing high quality projects with strong growth potential such as the acquisition of Wah Kong and the establishment of the hotel management company, Shanghai Century is poised to participate and align with the business principle of the Zendai Group as well as actively substantiating and upgrading its original business to a model which develops, invests and manages, so as to further stabilize and boost the revenue base of the Group.

Shanghai Century will continue ahead full throttle, to capture every opportunity and develop a brighter future for the Group, through its exceptional brand name, innovative corporate strategies and excellent management team, hence bringing superior return to the shareholders.

Liquidity and Financial Resources

At 30th June, 2003, the total assets of the Group amounted to HK\$740,876,000 (31st December, 2002: HK\$138,105,000).

The Group's financial position is healthy and stable. The Group's cash and bank deposits as at 30th June, 2003 amounted to HK\$127,063,000 (31st December, 2002: HK\$22,477,000). The Group's bank loans amounted to HK\$198,113,000 (31st December, 2002: Nil). The Group's bank borrowings were secured by a charge on certain land and property held for/under development for sale held by the Group with a total book value of HK\$198,113,000 (31st December, 2002: Nil) as well as corporate guarantee given by the related companies.

Capital Structure

As at 30th June, 2003, consolidated shareholders' equity reached HK\$182,847,000 (31st December, 2002: HK\$137,845,000) and the Group's debt to equity ratio was approximately 1.08 times (31st December, 2002: Nil).

BUSINESS REVIEW AND PROSPECT (CONTINUED)

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Conditional Mandatory General Offer

On 17th February, 2003, Mr. Dai Zhi Kang, the chairman of the Company, acquired a 50% interest in the entire issued share capital of Giant Glory Assets Limited from Mr. He Xuechu. Immediately after completion of the acquisition, Mr. Dai Zhi Kang has become the beneficial owner of the entire issued share capital of Giant Glory Assets Limited. On the same day, Giant Glory Assets Limited entered into an agreement with Peak Smart Holdings Limited to acquire 500 million shares (representing approximately 11.55% of the issued capital of the Company) at a consideration of HK\$25,000,000. Pursuant to the Takeovers Code, Giant Glory Assets Limited, Mr. Dai Zhi Kang and parties acting in concert with any of them made a conditional mandatory general offer (the "Offer") for all the issued shares of the Company at a price of HK\$0.05 per share. The Offer closed at 4:00 p.m. on 22nd April, 2003 and valid acceptances in respect of 409,080,000 shares (representing approximately 9.44% of the entire issued share capital of the Company) have been received.

Upon completion of the transfer of the 409,080,00 shares, Giant Glory Assets Limited, Mr. Dai Zhi Kang and parties acting in concert with any of them became interested in 2,519,080,000 shares, representing approximately 58.16% of the entire issued share capital of the Company and of the voting rights which may be exercised at general meetings of the Company.

Charges on Assets

There was no material change in pledge of assets as compared to the Annual Report 2002, except to the disclosure under: Liquidity and Financial Resources.

Contingent Liabilities and Commitments

During the period, the Group had authorized and contracted for but not provided in the condensed financial statements, capital expenditure of approximately HK\$752,053,000 in construction contracts, HK\$2,100,000 in other contracts and capital contribution of approximately HK\$3,690,000 in an investment as disclosed in note 18 to the condensed financial statements.

Changes of directors

Mr. He Xuechu has resigned from the office of executive director of the Company with effect from 22nd April, 2003.

Mr. Zhu Nan Song, Mr. Huang Sudong, Mr. Zhao Hang Sheng, Mr. Zhang Wei and Mr. Tang Jian have been appointed executive directors of the Company with effect from 20th May, 2003.

Change of auditors

Messrs. Deloitte Touche Tohmatsu has resigned and Messrs. KLL Associates CPA Limited has been appointed as auditors of the Company, both with effect from 22nd January, 2003.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30th June, 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

| Name of Director | Number of Ordinary Shares | Capacity and Nature of Interest | Approximate Percentage of Issued Share Capital |
|------------------|---------------------------|---------------------------------|--|
| Mr. Dai Zhi Kang | 2,519,080,000 | Corporate Interest (Note) | 58.16% |

Note: All of these interests represent long positions. Mr. Dai Zhi Kang is the beneficial owner of the entire issued share capital of Giant Glory Assets Limited, and is therefore deemed to be interested in the 2,519,080,000 shares held by Giant Glory Assets Limited pursuant to the SFO.

Save as disclosed above, none of the other directors or chief executives of the Company had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2003.

During the six months ended 30th June, 2003, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

| Name | Number of Shares | Approximate Percentage of Issued Share Capital |
|-----------------------------|------------------------|--|
| Giant Glory Assets Limited | 2,519,080,000 | 58.16% |
| Mr. Dai Zhi Kang | 2,519,080,000 (Note 1) | 58.16% |
| Peak Smart Holdings Limited | 500,000,000 | 11.55% |
| Mr. Yang Yonggen | 500,000,000 (Note 2) | 11.55% |

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Note:

1. This represents the deemed interests of Mr. Dai as referred to in the note under the section headed “Directors’ Interests or Short Positions in Shares and Options” above.
2. Mr. Yang Yonggen is the beneficial owner of the entire issued share capital of Peak Smart Holdings Limited and therefore is deemed to be interested in the 500,000,000 shares held by Peak Smart Holdings Limited pursuant to the SFO.

All the interests stated above represent long positions. As at 30th June, 2003, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

On 18th July, 2002, the Company adopted a new share option scheme (“New Share Option Scheme”) in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). At as the date of this report, no share options have been offered and/or granted to any participants under the New Share Option Scheme.

ARRANGEMENTS TO PURCHASE, REDEEM OR SELL THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30th June, 2003.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim financial statements for the six months ended 30th June, 2003.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company has not been in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Dai Zhi Kang
Chairman

Hong Kong, 1st September, 2003

INDEPENDENT REVIEW REPORT

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KLL Associates CPA Ltd

華融會計師事務所有限公司

Suite 1303, Shanghai Ind. Investment Bldg.,
60 Hennessy Road, Wanchai, Hong Kong

TO THE BOARD OF DIRECTORS OF SHANGHAI CENTURY HOLDINGS LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 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 of the Company.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

Lee Ka Leung, Daniel

Practising Certificate Number P01220

Hong Kong, 1st September, 2003