



**SHUN HO RESOURCES  
HOLDINGS LIMITED**  
**(順豪資源集團有限公司)**

Interim Report 2003

二零零三年中期報告

## **MANAGEMENT COMMENTARY**

### **INTERIM RESULTS**

The board of directors (the “Board”) of Shun Ho Resources Holdings Limited (the “Company”) announces that the unaudited consolidated loss after taxation and minority interests of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2003 amounted to approximately HK\$8,926,000 (30/6/2002: profit of approximately HK\$7,934,000).

The results of the Group for the six months ended 30th June, 2003 and its financial position as at that date are set out in the condensed financial statements on pages 7 to 18 of this report.

### **INTERIM DIVIDEND**

The Board has decided not to declare an interim dividend for the six months ended 30th June, 2003 (30/6/2002: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial period under review, the Company’s major subsidiaries, Shun Ho Technology Holdings Limited and Magnificent Estates Limited (“Magnificent”), continued with its operations of property investment, property development and trading, property leasing, investment in and operation of hotel and furnished suites and investment holdings. The loss for the period was mainly due to Magnificent’s disposal of a commercial property.

Operating income from Magnificent’s hotel declined considerably as a result of the SARS disease’s detrimental impact on Hong Kong’s travel related business throughout the second quarter of 2003. The average occupancy rate of the hotel for the period under review was approximately 52% at reduced room rates.

As to property leasing, the Group’s investment properties maintained an overall occupancy of approximately 95% during the financial period under review.

Regarding property development, construction of Magnificent’s 34 town houses at Ho Chung has continued and the development project is expected to be completed by the end of the year 2003.

In June 2003, a subsidiary of Magnificent entered into a sale and purchase agreement to dispose of the commercial property, No. 210 Pak Sha Wan, Sai Kung for a consideration of HK\$52 million. This disposal has been completed in September 2003 subsequent to the financial period under review. The disposal has resulted in a loss of approximately HK\$26.1 million which has been accounted for in the current period under review.

In Shanghai, the PRC, Magnificent has continued with the business of short-term leasing of the furnished suites at the Magnificent International Hotel commercial property at Xizang Road.

Subsequent to the financial period under review, in September 2003, a subsidiary of Magnificent has entered into a sale and purchase agreement to acquire a development site at No. 633 King’s Road, North Point, for a consideration of HK\$230 million. The site area is approximately 17,150 sq. ft. and it is the Group’s intention to develop a 3-star hotel with 600 rooms of gross floor area of approximately 258,601 sq. ft.

As at 30th June, 2003, gearing of the Group in terms of external bank borrowings was around 9.0%. The Group’s external bank borrowings amounting to approximately HK\$105 million at 30th June, 2003 were secured by certain properties, listed securities and other assets of the

Group with an aggregate carrying value of approximately HK\$782 million. These bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollars. Accordingly, the exchange risk of the Group is minimal.

During the financial period under review, there was no significant changes in the Group's staffing level and remuneration and benefits were set with reference to the market.

In general, the Board expects the business environment in Hong Kong remains challenging in the midst of a recovery of the economy following the impact of the SARS disease. However, the implementation of the CEPA by the beginning of the year 2004 and the PRC government's recent policy of allowing mainland travellers to visit Hong Kong on an individual basis are likely to improve the economic well-being of Hong Kong. The Group will follow a cautious but more optimistic approach in its business development.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

## **DIRECTORS' INTERESTS IN LISTED SECURITIES**

As at 30th June, 2003, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### **The Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of Shares held</b>	<b>Approximate % of shareholding</b>
William CHENG Kai Man	Interest of controlled corporations	Corporate	216,608,825 <i>(Note)</i>	71.2
Jim WONG Tin Yue	Beneficial owner	Personal	103,687	0.03
Albert HUI Wing Ho	Beneficial owner	Personal	45,787	0.02

### *Notes:*

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares and 62,602,700 shares of the Company respectively, representing 50.6% and 20.6% respectively of the issued share capital of the Company. Mr. William CHENG Kai Man has controlling interests in each of these two companies.

## Associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William CHENG Kai Man	Shun Ho Technology Holdings Limited (Note 1)	Interest of controlled corporations	Corporate	350,628,682	65.3
	Magnificent Estates Limited (Note 2)	Interest of controlled corporations	Corporate	3,783,383,239	69.2
	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100

### Notes:

1. Shun Ho Technology Holdings Limited, the Company's subsidiary, is a public limited company incorporated in Hong Kong the shares of which are listed on the Stock Exchange.
2. Magnificent Estates Limited, the Company's indirect subsidiary, is a public limited company incorporated in Hong Kong the shares of which are listed on the Stock Exchange.
3. Trillion Resources Limited, the Company's holding company, is a company incorporated in the British Virgin Islands.

The Company and Shun Ho Technology Holdings Limited adopted Share Option Scheme for Employees (the "Scheme") on 30th June, 1990 and Magnificent Estates Limited adopted it on 27th September, 1990 for the primary purpose of providing incentives to directors and employees. The schemes adopted by the Company and Shun Ho Technology Holdings Limited lapsed on 30th June, 2000 and that adopted by Magnificent Estates Limited lapsed on 27th September, 2000.

In relation to the Schemes, no share option was granted to any employees, suppliers or other participants during the period. Particulars of outstanding share options at the beginning and end of the period were as follows:

Name of Director	Exercise price HK\$	Date of grant	Exercisable period		Outstanding at 1/1/2003	Cancelled during the period		
			From	To		Outstanding at 30/6/2003		
<b>Shun Ho Technology</b>								
William CHENG Kai Man	1.11	19.10.1993	20.10.1993	19.10.2003	5,374,691	5,374,691		–
<b>Magnificent</b>								
William CHENG Kai Man	0.20	29.6.1994	30.6.1994	29.6.2004	43,799,524	43,799,524		–

No option was granted, exercised or lapsed during the period.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2003, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under age of 18, had any right to subscribe for the securities of the Company or associated corporation, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares	Approximate % of shareholding
Mercury Fast Limited	Beneficial owner	62,602,700	20.6
Magnificent Estates Limited ( <i>Note 1</i> )	Interest of controlled corporations	62,602,700	20.6
Shun Ho Technology Holdings Limited ( <i>Note 1</i> )	Interest of controlled corporations	62,602,700	20.6
Trillion Resources Limited ( <i>Note 2</i> )	Beneficial owner and interest of controlled corporations	216,608,825	71.2
Liza LEE Pui Ling ( <i>Note 3</i> )	Interest of spouse	216,608,825	71.2

### Notes:

- Magnificent Estates Limited and Shun Ho Technology Holdings Limited were taken to be interested in 62,602,700 shares of the Company ("Shares") owned by Mercury Fast Limited as Mercury Fast Limited is a wholly-owned subsidiary of Magnificent Estates Limited which in turn owned as to 69.2% by Shun Ho Technology Holdings Limited.
- Shun Ho Technology Holdings Limited is directly and indirectly owned as to 65.3% by Omnico Company Inc., which is in turn owned as to 100% by the Company, which is in turn directly and indirectly owned as to 71.2% by Trillion Resources Limited. Trillion Resources Limited is wholly-owned by Mr. William Cheng Kai Man. Trillion Resources Limited beneficially owned 154,006,125 Shares and was taken to be interested in 62,602,700 Shares by virtue of its indirect interests in Mercury Fast Limited.
- Madam Liza LEE Pui Ling was deemed to be interested in 216,608,825 Shares by virtue of the interest in such Shares of her spouse, Mr. William CHENG Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

#### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of interim financial statements which have not been audited.

#### **CORPORATE GOVERNANCE**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

By order of the Board

**Peter Lee Yip Wah**  
*Secretary*

Hong Kong, 19th September, 2003

## INDEPENDENT REVIEW REPORT

### 德勤·關黃陳方會計師行

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Touche  
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### **TO THE BOARD OF DIRECTORS OF SHUN HO RESOURCES HOLDINGS LIMITED** *(incorporated in Hong Kong with limited liability)*

#### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 7 to 18.

#### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong 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 No. 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.

**DELOITTE TOUCHE TOHMATSU**  
*Certified Public Accountants*

Hong Kong, 19th September, 2003

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2003**

		<b>Six months ended</b>	
	<i>NOTES</i>	<b>30.6.2003</b>	30.6.2002
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited & restated)
Turnover	3	<b>29,646</b>	140,934
Cost of sales		<b>(4,645)</b>	(77,029)
Other service costs		<b>(11,705)</b>	(14,661)
		<b>13,296</b>	49,244
Other operating income		<b>3,071</b>	576
Gain (loss) on investments in securities		<b>437</b>	(219)
Administrative expenses		<b>(10,308)</b>	(12,779)
Loss on disposal of an investment property		<b>(26,087)</b>	–
(Loss) profit from operations	4	<b>(19,591)</b>	36,822
Finance costs	5	<b>(1,563)</b>	(2,699)
Share of results of associates		<b>1,632</b>	1,698
(Loss) profit from ordinary activities before taxation		<b>(19,522)</b>	35,821
Taxation	6	<b>(6,707)</b>	(6,381)
(Loss) profit before minority interests		<b>(26,229)</b>	29,440
Minority interests		<b>17,303</b>	(21,506)
Net (loss) profit for the period		<b>(8,926)</b>	7,934
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share	7		
Basic		<b>(3.69)</b>	3.28



## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2003

	<i>NOTES</i>	<b>30.6.2003</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2002 <i>HK\$'000</i> (audited & restated)
<b>Non-current Assets</b>			
Investment properties	8	574,700	643,700
Property, plant and equipment	8	632,169	632,435
Property under development		135,990	121,335
Interests in associates		93,118	93,996
Investments in securities		6,842	6,976
Negative goodwill		(159,528)	(127,890)
		<b>1,283,291</b>	1,370,552
<b>Current Assets</b>			
Inventories		460	480
Investments in securities		31,292	30,717
Trade and other receivables	9	48,890	3,946
Deposits and prepayments		7,132	1,692
Pledged bank deposits	15	2,932	2,860
Bank balances and cash		11,726	9,917
		<b>102,432</b>	49,612
<b>Current Liabilities</b>			
Trade and other payables	10	13,058	16,075
Rental and other deposits received		5,348	6,722
Tax liabilities		6,865	6,308
Bank loans, secured	11	104,663	89,607
		<b>129,934</b>	118,712
<b>Net Current Liabilities</b>		<b>(27,502)</b>	(69,100)
		<b>1,255,789</b>	1,301,452
<b>Capital and Reserves</b>			
Share capital	12	152,184	152,184
Reserves	13	266,505	273,483
		<b>418,689</b>	425,667
<b>Minority Interests</b>		<b>747,948</b>	794,626
<b>Non-current Liability</b>			
Deferred taxation		89,152	81,159
		<b>89,152</b>	81,159
		<b>1,255,789</b>	1,301,452

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

	<b>Total equity</b> <i>HK\$ '000</i> (unaudited)
At 1st January, 2002	
– as originally stated	459,694
– prior period adjustments ( <i>Note 2</i> )	<u>(20,658)</u>
– as restated	439,036
Net profit for the period	<u>7,934</u>
At 30th June, 2002	<u><u>446,970</u></u>
At 1st January, 2003	
– as originally stated	447,191
– prior period adjustments ( <i>Note 2</i> )	<u>(21,524)</u>
– as restated	<u>425,667</u>
Increase (decrease) on revaluation of	
– investment properties	3,094
– other securities	(46)
Deferred tax liabilities arising on a change in tax rate	<u>(998)</u>
Net gains not recognised in the income statement	<u>2,050</u>
Net loss for the period	(8,926)
Impairment loss on other securities charged to income	46
Investment property revaluation reserve released to income statement on disposal of property	<u>(148)</u>
At 30th June, 2003	<u><u>418,689</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2003*

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>1,323</b>	22,134
Net cash used in investing activities	<b>(12,274)</b>	(8,844)
Net cash from (used in) financing	<b>12,760</b>	(1,151)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>1,809</b>	12,139
Cash and cash equivalents at beginning of the period	<b>9,917</b>	4,728
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b><u>11,726</u></b>	<u>16,867</u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<b>11,726</b>	16,903
Bank overdrafts	–	(36)
	<hr/>	<hr/>
	<b><u>11,726</u></b>	<u>16,867</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

### 1. GENERAL

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

During the period, following the exercise by the Company’s subsidiaries, Shun Ho Technology Holdings Limited (“Shun Ho Technology”) group of companies, of the warrants issued by its subsidiary, Magnificent Estates Limited (“Magnificent”), the Company’s beneficial interest in the issued capital of Magnificent was further increased by approximately 4% to 69.23% at the balance sheet date.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

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

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 periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised 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 recognised in respect of all temporary differences between the carrying amount 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. Comparative amounts for the corresponding prior period have been restated accordingly.

The financial effects of the adoption of SSAP 12 (Revised) are summarised below:

	At 1st January, 2003			At 1st January, 2002		
	As originally stated HK\$’000	Prior period adjustments HK\$’000	As restated HK\$’000	As originally stated HK\$’000	Prior period adjustments HK’000	As restated HK\$’000
Retained profits	196,675	(1,543)	195,132	184,677	(1,048)	183,629
Investment property revaluation reserve	75,001	(3,382)	71,619	96,713	(3,382)	93,331
Other property revaluation reserve	24,480	(5,739)	18,741	27,269	(5,368)	21,901
(Goodwill) negative goodwill on consolidation	3,869	(10,860)	(6,991)	3,869	(10,860)	(6,991)
	<b>300,025</b>	<b>(21,524)</b>	<b>278,501</b>	312,528	(20,658)	291,870
Negative goodwill	137,188	(9,298)	127,890	16,121	(809)	15,312
Minority interests	844,963	(50,337)	794,626	978,152	(56,520)	921,632
Deferred taxation	–	81,159	81,159	–	77,987	77,987

The adoption of SSAP 12 (Revised) has resulted in an increase in the loss of the Group for the six months ended 30th June, 2003 by HK\$1,989,000 and a decrease in the profit for the corresponding prior period by HK\$124,000.

### 3. SEGMENT INFORMATION

#### Business segment

The operations based on which the Group reports its primary segment information are as follows:

Hospitality services	–	investment in 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

Segment information about these businesses is presented below:

#### Six months ended 30th June, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	<u>12,721</u>	<u>12,188</u>	<u>–</u>	<u>4,737</u>	<u>–</u>	<u>29,646</u>
SEGMENT RESULT						
Operations	333	12,150	–	1,101	(71)	13,513
Loss on disposal of an investment property	<u>–</u>	<u>(26,087)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(26,087)</u>
	<u>333</u>	<u>(13,937)</u>	<u>–</u>	<u>1,101</u>	<u>(71)</u>	<u>(12,574)</u>
Other operating income						2,068
Unallocated corporate expenses						<u>(9,085)</u>
Loss from operations						(19,591)
Finance costs						(1,563)
Share of results of associates	–	1,632	–	–	–	<u>1,632</u>
Loss before taxation						<u>(19,522)</u>

### 3. SEGMENT INFORMATION *(Continued)*

Six months ended 30th June, 2002

	Hospitality services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	<u>17,939</u>	<u>14,112</u>	<u>106,997</u>	<u>1,261</u>	<u>625</u>	<u>140,934</u>
<b>SEGMENT RESULT</b>						
Operations	<u>3,686</u>	<u>13,436</u>	<u>31,458</u>	<u>212</u>	<u>540</u>	49,332
Unallocated corporate expenses						<u>(12,510)</u>
Profit from operations						36,822
Finance costs						(2,699)
Share of results of associates	-	1,698	-	-	-	<u>1,698</u>
Profit before taxation						<u>35,821</u>

#### **Geographical segment**

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

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>24,842</b>	138,351
Other regions in the People's Republic of China	<b>4,804</b>	2,583
	<b><u>29,646</u></b>	<u>140,934</u>

### 4. (LOSS) PROFIT FROM OPERATIONS

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	<b>847</b>	2,085
Interest income	<b>(2,084)</b>	(2,125)
Dividends from listed investments	<b>(263)</b>	(277)
Negative goodwill included in other operating income	<b><u>(2,044)</u></b>	<u>-</u>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts, and other loans wholly repayable within five years	2,297	3,974
Convertible bonds	–	57
Bond issue expenses amortised	–	8
	<u>2,297</u>	<u>4,039</u>
Total borrowing costs	2,297	4,039
Less: Amount capitalised on properties under development	(734)	(1,340)
	<u>1,563</u>	<u>2,699</u>

## 6. TAXATION

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Company and subsidiaries	772	5,787
Associates	210	185
	<u>982</u>	<u>5,972</u>
Deferred taxation		
Current period	1,322	409
Attributable to a change in tax rate	4,403	–
	<u>5,725</u>	<u>409</u>
	<u>6,707</u>	<u>6,381</u>

Hong Kong Profits Tax is calculated at 17.5% (30.6.2002: 16%) of the estimated assessable profit for the period.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss/earnings per share is based on the net loss for the period of HK\$8,926,000 (30.6.2002: net profit of HK\$7,934,000) and on 241,766,050 (30.6.2002: 241,766,050) shares in issue during the period. The number of shares adopted in the calculation of the loss/earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share is not presented as the exercise prices of the warrants and share options issued/granted by the Company's listed subsidiaries, Shun Ho Technology and Magnificent, are higher than the average market prices for shares for both periods presented and, in respect of the six months ended 30th June, 2002, the conversion of the convertible bonds issued by Magnificent would be anti-dilutive.

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

During the period, the Group disposed of an investment property for a consideration of HK\$52,000,000. The disposal gave rise to a loss of HK\$26,087,000 reported in the current period.

The investment properties of the Group were revalued at 30th June, 2003 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. This revaluation gave rise to an increase of HK\$9,000,000 which, after adjusting for minority interests, has been credited to the investment property revaluation reserve.

The directors have considered the carrying amount of the Group's hotel properties and furnished suites at 30th June, 2003 and are of the opinion that the carrying amounts do not differ significantly from the open market value of these properties at the balance sheet date. Accordingly, no surplus or deficit on valuation of these properties has been recognised in the current period.

## 9. 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 customers.

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

	<b>30.6.2003</b> <i>HK\$'000</i>	31.12.2002 <i>HK\$'000</i>
0 - 30 days	<b>1,648</b>	2,468
31 - 60 days	<b>27</b>	735
Over 60 days	<b>415</b>	743
	<hr/>	<hr/>
	<b>2,090</b>	3,946
Proceed on disposal of an investment property receivable	<b>46,800</b>	–
	<hr/>	<hr/>
	<b>48,890</b>	3,946
	<hr/> <hr/>	<hr/> <hr/>

## 10. TRADE AND OTHER PAYABLES

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

	<b>30.6.2003</b> <i>HK\$'000</i>	31.12.2002 <i>HK\$'000</i>
0 - 30 days	<b>7,482</b>	11,502
31 - 60 days	<b>237</b>	651
Over 60 days	<b>5,339</b>	3,922
	<hr/>	<hr/>
	<b>13,058</b>	16,075
	<hr/> <hr/>	<hr/> <hr/>



## 11. BANK LOANS, SECURED

During the six months ended 30th June, 2003, the Group obtained new bank loans of HK\$16,000,000. The new bank loans, which bear interest at market rates and are repayable within one year, were used to finance the construction of the Group's properties and as additional working capital.

## 12. SHARE CAPITAL

	<b>30.6.2003 &amp; 31.12.2002</b>	
	<b>Number of shares</b>	<b>Nominal value</b>
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.5 each:		
Authorised	<u>400,000</u>	<u>200,000</u>
Issued and fully paid	<u>304,369</u>	<u>152,184</u>

There was no change in the share capital of the Company for both periods presented.

At 30th June, 2003, 62,602,700 (31.12.2002: 62,602,700) issued shares of the Company with an aggregate nominal value of HK\$31,301,350 (31.12.2002: HK\$31,301,350) were held by a subsidiary of Magnificent. In accordance with the Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

### 13. RESERVES

	Share premium	Investment property revaluation reserve	Other property revaluation reserve	Securities revaluation reserve	(Goodwill) negative goodwill on consolidation	Retained profits (loss)	Own shares held by a subsidiary	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002								
– as originally stated	20,068	96,713	27,269	(12,252)	3,869	184,677	(12,834)	307,510
– prior period adjustments (note 2)	–	(3,382)	(5,368)	–	(10,860)	(1,048)	–	(20,658)
– as restated	20,068	93,331	21,901	(12,252)	(6,991)	183,629	(12,834)	286,852
Net profit for the period	–	–	–	–	–	7,934	–	7,934
At 30th June, 2002	20,068	93,331	21,901	(12,252)	(6,991)	191,563	(12,834)	294,786
Decrease on revaluation less minority interests								
– properties	–	(21,712)	(2,789)	–	–	–	–	(24,501)
– securities	–	–	–	(198)	–	–	–	(198)
Deferred tax liabilities arising on revaluation of properties	–	–	(371)	–	–	–	–	(371)
Impairment loss on other securities charged to income	–	–	–	198	–	–	–	198
Net profit for the period	–	–	–	–	–	3,569	–	3,569
At 31st December, 2002	20,068	71,619	18,741	(12,252)	(6,991)	195,132	(12,834)	273,483
Increase (decrease) on revaluation less minority interests								
– properties	–	3,094	–	–	–	–	–	3,094
– securities	–	–	–	(46)	–	–	–	(46)
Deferred tax liabilities arising on a change in tax rate	–	(471)	(527)	–	–	–	–	(998)
Impairment loss on other securities charged to income	–	–	–	46	–	–	–	46
Released to income statement on disposal	–	(148)	–	–	–	–	–	(148)
Net loss for the period	–	–	–	–	–	(8,926)	–	(8,926)
At 30th June, 2003	<u>20,068</u>	<u>74,094</u>	<u>18,214</u>	<u>(12,252)</u>	<u>(6,991)</u>	<u>186,206</u>	<u>(12,834)</u>	<u>266,505</u>

The directors do not recommend the payment of an interim dividend in respect of the period (2002: Nil).

### 14. CAPITAL COMMITMENTS

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

	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contracted for but not provided in the financial statements	<u><b>10,530</b></u>	<u>25,313</u>

## **15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

At the balance sheet date, the bank loan facilities of the Group, which were utilised to the extent of approximately HK\$105 million (31.12.2002: HK\$90 million), were secured as follows:

- guarantees issued by a subsidiary, Magnificent, amounted to approximately HK\$210 million (31.12.2002: HK\$210 million);
- the Group's properties together with related assets with an aggregate carrying book value of approximately HK\$723 million (31.12.2002: HK\$728 million);
- pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$253 million (31.12.2002: HK\$329 million);
- assignment of rentals and hotel revenue of certain subsidiaries; and
- pledge of the Group's listed securities and bank deposits with an aggregate carrying value of approximately HK\$56 million (31.12.2002: HK\$50 million) and HK\$3 million (31.12.2002: HK\$3 million) respectively.

## **16. RELATED PARTY TRANSACTIONS**

During the period, a subsidiary, Claymont Services Limited, made unsecured advances to its associate, Lucky Country Development Limited, with no fixed repayment terms. Such advances to the extent of HK\$60,000,000 (31.12.2002: HK\$60,000,000) carried interest chargeable at the rate of 5% per annum with the remaining balance interest free. Interest receivable by the Group on such advances amounted to HK\$1,500,000 in respect of the period (30.6.2002: HK\$1,500,000). At the balance sheet date, advances due from the associate amounted to approximately HK\$88,386,000 (31.12.2002: HK\$87,586,000) remained outstanding.

## **17. POST BALANCE SHEET EVENT**

On 6th September, 2003, a subsidiary of Magnificent entered into a provisional sale and purchase agreement with an independent third party for the acquisition of a piece of land for a cash consideration of HK\$230,000,000. Details of this transaction are set out in the announcement made by the Group dated 9th September, 2003.