

Notes to the Financial Statements

For the Year Ended 31st December, 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The principal activities of the Group are investment and operation of hotel and furnished suites, property investment, property development and trading, securities investment and trading, and treasury investment.

The Company’s intermediate holding company, Shun Ho Resources Holdings Limited (“Shun Ho Resources”), is a public limited company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company’s ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income Taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP12 (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 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 prior year have been restated accordingly.

The financial effects of the change in accounting policy on the consolidated balance sheet 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
Reserves						
Retained profits	301,330	(3,410)	297,920	276,204	(2,414)	273,790
Investment property revaluation reserve	163,000	(6,841)	156,159	206,722	(6,841)	199,881
Other property revaluation reserve	53,884	(11,606)	42,278	59,501	(10,858)	48,643
(Goodwill) negative goodwill on consolidation dealt with in reserves	10,825	(21,965)	(11,140)	10,825	(21,965)	(11,140)
	529,039	(43,822)	485,217	553,252	(42,078)	511,174
Negative goodwill	141,739	(11,789)	129,950	21,889	(1,384)	20,505
Minority interests	399,618	(25,548)	374,070	522,469	(34,525)	487,944
	1,070,396	(81,159)	989,237	1,097,610	(77,987)	1,019,623
Deferred tax liabilities	–	81,159	81,159	–	77,987	77,987

This change in accounting policy has resulted in an increase in the loss of the Group for the year ended 31st December, 2003 by HK\$4,403,000 (2002: decrease in profit of HK\$996,000) and decreases in the Group’s investment property revaluation reserve and other property revaluation reserve in respect of that year by HK\$641,000 (2002: Nil) and HK\$1,061,000 (2002: HK\$748,000) respectively.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Magnificent Estates Limited ("Magnificent") became a subsidiary of the Company on 22nd October, 2001. On consolidation, the shares in the Company held by a subsidiary of Magnificent have been accounted for using the treasury stock method whereby consolidated shareholders' equity is reduced by the carrying amount of the shares in the Company held by the said subsidiary at the date when Magnificent became a subsidiary of the Company.

Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income over the expected useful life of the identified assets acquired.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant associate except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement to form part of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Hotel property and furnished suites

Hotel properties and furnished suites for short-term lease purposes are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase arising on the revaluation of these properties is credited to other property revaluation reserve except that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of the hotel property or the furnished suites is dealt with as an expense to the extent that it exceeds the balance on reserve relating to a previous revaluation of the same asset.

On disposal of the hotel property or the furnished suites, the balance on other property revaluation reserve attributable to that property is transferred to retained profits.

It is the Group's practice to maintain its hotel property and furnished suites in a continual state of sound repairs and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the properties maintain a residual value at least equal to their carrying value. Repairs and maintenance expenditures are charged to the income statement in the year in which they are incurred.

Other property, plant and equipment

Other property, plant and equipment are stated at cost or valuation less depreciation where appropriate and any identified impairment loss. Land and buildings reclassified from investment properties are stated at the carrying amount at the time when the reclassification took place, less subsequent depreciation and any identified impairment loss.

No depreciation is provided on hotel operating equipment which is included in furniture, fixtures and equipment at historical cost and all subsequent replacements are expensed in the period in which they are incurred. Depreciation is provided to write off the cost or valuation of other property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2% per annum
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ % per annum
Motor vehicles and vessels	20% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost includes the cost of land, development expenditure, borrowing costs capitalised and other attributable expenses.

Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories, representing stocks of food, beverages and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals payable (receivable) under operating leases are charged (credited) to income statement on a straight line basis over their respective lease terms.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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 year. 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 years and it further excludes items that are never taxable or deductible.

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 bases 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 of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 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 realised. Deferred tax is charged or credited to 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.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Revenue recognition

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

Rental income in respect of properties under operating leases is recognised and credited to the income statement on a straight line basis over the relevant lease term.

Sales of properties are recognised on the execution of a binding sales agreement.

Sales of investments are recognised when the sale becomes unconditional.

Interest income from bank deposits and loans receivable is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

4. TURNOVER

Turnover represents the aggregate of income from operation of hotel and furnished suites, property rentals, proceeds from sale of properties and trading securities, interest and dividend income, and is analysed as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Income from operation of hotel and furnished suites	32,851	41,189
Property rentals	20,480	24,864
Proceeds from sale of trading securities	14,674	7,166
Proceeds from sale of properties	–	117,247
Interest income from		
A property owning associate	2,400	3,000
Debt securities	1,179	1,179
Dividend income	279	744
	<u>71,863</u>	<u>195,389</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purposes, the Group is mainly organised into four operations. These operations based on which the Group reports its primary segment information are as follows:

Hospitality services	–	investment and operation of hotel and furnished suites
Property investment	–	property letting
Property development and trading	–	development and trading of properties
Securities investment and trading	–	investment in and trading of listed securities

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment information about these businesses is presented below:

Revenue and Results

Year ended 31st December, 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	32,851	22,880	-	16,132	-	71,863
RESULTS						
Segment results	9,465	(1,449)	-	8,272	(141)	16,147
Other income						156
Unallocated corporate expenses less amount reimbursed by a related company						(17,110)
Loss from operations						(807)
Finance costs						(3,433)
Share of profits of associates	-	4,017	-	-	-	4,017
Loss before taxation						(223)
Income tax expense						(8,406)
Loss before minority interests						(8,629)
Minority interests						4,170
Net loss for the year						(4,459)

Balance Sheet

At 31st December, 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
ASSETS						
Segment assets	809,820	590,162	149,067	37,738	129	1,586,916
Interests in associates	-	93,300	-	-	-	93,300
Unallocated corporate assets						78,453
Negative goodwill	(65,457)	(78,495)	(17,795)	-	-	(161,747)
Consolidated total assets						1,596,922
LIABILITIES						
Segment liabilities	7,819	4,905	2,723	91	-	15,538
Unallocated corporate liabilities						396,156
Consolidated total liabilities						411,694

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Other Information

Year ended 31st December, 2003

	Hospitality services HK\$'000	Property investment HK\$'000	Other operations HK\$'000
Capital additions			
– investment properties	–	3,477	–
– property, plant and equipment	380	375	–
– properties under development	241,967	–	–
Depreciation and amortisation	471	114	108
Loss on disposal of an investment property	–	26,165	–

Revenue and Results

Year ended 31st December, 2002

	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	41,189	27,864	117,247	9,089	–	195,389
RESULTS						
Segment results	11,376	26,463	32,862	(208)	(157)	70,336
Other income						176
Unallocated corporate expenses less amount reimbursed by a related company						(18,206)
Profit from operations						52,306
Finance costs						(5,340)
Share of profits of associates	–	3,563	–	–	–	3,563
Profit before taxation						50,529
Income tax expense						(9,210)
Profit before minority interests						41,319
Minority interests						(17,189)
Net profit for the year						24,130

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Balance Sheet

At 31st December, 2002

	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
ASSETS						
Segment assets	568,868	645,303	121,336	45,665	239	1,381,411
Interests in associates	–	93,995	–	–	–	93,995
Unallocated corporate assets						80,079
Negative goodwill	(51,821)	(64,751)	(13,378)	–	–	(129,950)
Consolidated total assets						<u>1,425,535</u>
LIABILITIES						
Segment liabilities	5,028	7,953	4,486	118	6	17,591
Unallocated corporate liabilities						<u>199,265</u>
Consolidated total liabilities						<u>216,856</u>

Other Information

Year ended 31st December, 2002

	Hospitality services HK\$'000	Property investment HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000
Capital additions				
Property, plant and equipment	13,333	75	–	–
Depreciation and amortisation	524	106	–	108
Unrealised loss on				
Trading securities	–	–	1,424	–
Other securities	–	–	782	–
	<u>–</u>	<u>–</u>	<u>782</u>	<u>–</u>

Geographical Segments

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	60,203	186,022
Other regions in the People's Republic of China (the "PRC")	11,660	9,367
	<u>71,863</u>	<u>195,389</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

	Carrying amount of assets		Additions to investment properties, property, plant and equipment and properties under development during the year	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets				
Hong Kong	1,399,181	1,225,872	273,461	15,696
The PRC	104,441	105,668	380	13,321
Unallocated	93,300	93,995	–	–
	<u>1,596,922</u>	<u>1,425,535</u>	<u>273,841</u>	<u>29,017</u>

Following the exercise by the Group of the warrants issued by Magnificent during the year, the Company's beneficial interest in Magnificent has increased from 65.23% to 69.23%, which gave rise to a negative goodwill on consolidation of HK\$36,113,000. For the purpose of presenting the Group's segment assets by geographical areas, the negative goodwill has been allocated to Magnificent group's assets located in Hong Kong and the PRC in the respective amounts of HK\$32,995,000 and HK\$3,118,000.

6. GAIN (LOSS) ON INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Unrealised gain (loss) on trading securities	1,106	(1,424)
Realised gain on other securities	3,001	–
Unrealised loss on other securities	–	(782)
	<u>4,107</u>	<u>(2,206)</u>

7. OTHER OPERATING INCOME

Included in other operating income for the year is negative goodwill amounted to HK\$4,316,000 (2002: HK\$1,842,000) released.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

8. (LOSS) PROFIT FROM OPERATIONS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	830	777
Staff costs including directors' emoluments	23,956	24,561
Repairs and maintenance	613	821
Depreciation of property, plant and equipment	1,659	3,207
Realised (gain) loss on trading securities	(2,708)	75
Rental income from investment properties under operating leases, less outgoings of HK\$1,285,000 (2002: HK\$2,045,000)	(19,195)	(22,819)
Dividends from		
Listed securities	(279)	(704)
Unlisted investments	-	(40)
	<u> </u>	<u> </u>

9. FINANCE COSTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interests on:		
Bank loans and overdrafts wholly repayable within five years	3,307	4,841
Other loans wholly repayable within five years	362	1,168
Convertible bonds	-	100
Bond issue expenses amortised	-	13
	<u> </u>	<u> </u>
	3,669	6,122
Less: Amount capitalised on properties under development	(236)	(782)
	<u> </u>	<u> </u>
	<u>3,433</u>	<u>5,340</u>

Borrowing costs capitalised during the year were calculated at the Hong Kong Inter-bank Offer Rate plus a specified margin.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
(a) Directors' emoluments		
Directors' fees to independent non-executive directors	90	90
Other emoluments to executive directors		
Salaries and other benefits	5,304	4,509
Contributions to provident fund scheme	36	36
Total emoluments	<u>5,430</u>	<u>4,635</u>

Emoluments of the directors are within the following bands.

	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,000,001 to HK\$2,500,000	<u>1</u>	<u>1</u>

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, three (2002: three) were directors of the Company, whose remunerations are included above. The emoluments of the remaining two (2002: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,105	1,080
Contributions to provident fund scheme	24	24
	<u>1,129</u>	<u>1,104</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

11. INCOME TAX EXPENSE

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	<u>1,500</u>	<u>7,108</u>
Deferred tax (<i>note 25</i>)		
Current year	1,690	1,706
Attributable to a change in tax rate	<u>4,403</u>	<u>–</u>
	<u>6,093</u>	<u>1,706</u>
Taxation attributable to the Company and subsidiaries	7,593	8,814
Share of taxation of associates	<u>813</u>	<u>396</u>
	<u>8,406</u>	<u>9,210</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of estimated assessable profit for the year. During the year, the Hong Kong Profits Tax rate was increased from 16% to 17.5% for the year of assessment 2003/04. The effect of this increase has been reflected in the calculation of the current and deferred tax balances at 31st December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the (loss) profit before taxation as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation	<u>(223)</u>	<u>50,529</u>
Tax at the domestic income tax rate of 17.5% (2002: 16%)	(39)	8,085
Tax effect of expenses that are not deductible in determining taxable profit	4,738	478
Tax effect of income that is not taxable in determining taxable profit	(1,819)	(1,032)
Tax effect of tax losses not recognised	950	1,422
Utilisation of tax losses previously not recognised	(1,453)	(352)
Effect of a change in tax rate on deferred tax liabilities brought forward	4,403	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	632	754
Effect of share of taxation of associates	110	(174)
Others	<u>884</u>	<u>29</u>
Tax charge for the year	<u>8,406</u>	<u>9,210</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss/earnings per share is based on the net loss for the year of HK\$4,459,000 (2002: net profit of HK\$24,130,000) and on 453,337,092 (2002: 453,337,092) shares in issue during the year. 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 for both years presented are not shown as the exercise prices of the warrants and share options issued/granted by the Company and its listed subsidiary, Magnificent, are higher than the average market prices for shares for both years and the conversion of the convertible bonds issued by Magnificent which were outstanding during the prior year, would be anti-dilutive.

As a result of the change in accounting policy as described in note 2 above, the earnings per share for the corresponding comparative prior year has been adjusted as follows:

	<i>HK Cents</i>
Basic earnings per share for the year ended 31st December, 2002	
Reported figure before adjustment	5.54
Adjustment arising from adoption of SSAP 12 (Revised)	<u>(0.22)</u>
Restated	<u><u>5.32</u></u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

13. INVESTMENT PROPERTIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Investment properties in Hong Kong, at valuation		
At beginning of the year	643,700	700,600
Additions	3,477	–
Disposals	(78,000)	–
Revaluation increase (decrease)	19,023	(56,900)
	<u>588,200</u>	<u>643,700</u>

An analysis of the investment properties is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land and buildings in Hong Kong on land held on		
Long leases	383,400	364,000
Medium-term leases	204,800	279,700
	<u>588,200</u>	<u>643,700</u>

The investment properties of the Group were revalued at 31st December, 2003 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. This valuation gave rise to a revaluation increase of HK\$19,023,000 (2002: revaluation decrease of HK\$56,900,000), which, after adjusting for minority interests, has been dealt with in the investment property revaluation reserve.

The Group's investment properties with an aggregate carrying value of approximately HK\$519 million (2002: HK\$616 million) were rented out under operating leases at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Hotel property and furnished suites <i>HK\$'000</i>	Property for own use <i>HK\$'000</i>			
THE GROUP					
COST OR VALUATION					
At 1st January, 2003	560,000	66,500	7,829	3,313	637,642
Additions	–	–	760	–	760
At 31st December, 2003	560,000	66,500	8,589	3,313	638,402
DEPRECIATION					
At 1st January, 2003	–	907	1,766	2,535	5,208
Provided for the year	–	759	556	344	1,659
At 31st December, 2003	–	1,666	2,322	2,879	6,867
NET BOOK VALUES					
At 31st December, 2003	560,000	64,834	6,267	434	631,535
At 31st December, 2002	560,000	65,593	6,063	778	632,434

The following is an analysis of the net book value of the Group's land and buildings:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Properties on land under medium-term leases		
Hotel property in Hong Kong	450,000	450,000
Furnished suites in the PRC	110,000	110,000
	560,000	560,000
Property in Hong Kong for own use on long lease land	64,834	65,593
	624,834	625,593

The Group's hotel property and furnished suites are carried at their open market value, on an existing use basis, at 31st December, 2003, as valued by Dudley Surveyors Limited, an independent firm of property valuers.

Had the Group's hotel property and furnished suites not been revalued, they would have been included in the financial statements at the historical cost of approximately HK\$571,012,000 (2002: HK\$571,012,000).

The Group's property for own use, which was reclassified from investment properties in 2001, is carried at its open market value, on an existing use basis, at 31st December, 2000, as valued by Dudley Surveyors Limited, an independent firm of property valuer, less subsequent depreciation.

Other property, plant and equipment are carried at cost less depreciation.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
At cost		
At beginning of the year	121,335	105,733
Additions during the year	269,604	15,602
Transferred to properties for sale on completion	(148,972)	—
	<u>241,967</u>	<u>121,335</u>
At end of the year	<u>241,967</u>	<u>121,335</u>
	2003	2002
	HK\$'000	HK\$'000
An analysis of the Group's properties under development is as follows:		
Properties in Hong Kong on		
Long leases	241,967	—
Medium-term leases	—	121,335
	<u>241,967</u>	<u>121,335</u>

Included in the carrying amounts of the properties are interest expenses of HK\$63,000 (2002; HK\$11,534,000) capitalised.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
At cost		
Shares listed in Hong Kong	416,711	395,056
Unlisted shares	2,251	2,251
	<u>418,962</u>	<u>397,307</u>
Amounts due from subsidiaries less allowance	<u>152,638</u>	<u>155,706</u>
	<u>571,600</u>	<u>553,013</u>
Market value of listed shares	<u>164,133</u>	<u>56,014</u>

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current assets.

Particulars regarding the principal subsidiaries at 31st December, 2003 are set out in note 31.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted associates		
Share of net assets	8,514	6,410
Amount due from an associate	84,786	87,585
	<u>93,300</u>	<u>93,995</u>

Particulars regarding the associates at 31st December, 2003 are as follows:

Name of associate	Place of incorporation and operation	Proportion of nominal value of issued ordinary capital held by subsidiary %	Principal activity
Lucky Country Development Limited	Hong Kong	50	Property investment
Beautiful Sky Investment Limited	Hong Kong	50	Inactive

The following financial information is prepared from the financial statements of a significant associate, Lucky Country Development Limited.

Operating results

	Year ended 31st December,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>15,542</u>	<u>15,536</u>
Profit from ordinary activities before taxation	<u>8,042</u>	<u>7,130</u>
Profit from ordinary activities before taxation attributable to the Group	<u>4,021</u>	<u>3,565</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

17. INTERESTS IN ASSOCIATES (Continued)

Financial position

	At 31st December,	
	2003 HK\$'000	2002 HK\$'000
Non-current asset		
Investment property	185,000	185,000
Current assets	389	385
Current liabilities	(668)	(1,204)
Non-current liabilities		
Amounts due to shareholders	(167,371)	(171,607)
Other liabilities	(560)	–
Net assets	<u>16,790</u>	<u>12,574</u>
Net assets attributable to the Group	<u>8,395</u>	<u>6,287</u>

18. INVESTMENTS IN SECURITIES

	Other securities (non-current)		Trading securities (current)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Listed securities at market value				
Equity securities listed:				
In Hong Kong	12,521	12,632	1,192	8,728
Outside Hong Kong	–	1,077	–	–
Debt securities listed outside Hong Kong	–	–	22,767	21,971
Unlisted equity investments	<u>780</u>	<u>780</u>	<u>–</u>	<u>–</u>
	<u>13,301</u>	<u>14,489</u>	<u>23,959</u>	<u>30,699</u>

The Group's non-current equity securities listed in Hong Kong include approximately 20.57% (2002: 20.57%) interests in the Company's holding company, Shun Ho Resources. The activities of Shun Ho Resources and its subsidiaries are investment and operation of hotel and furnished suites, property investment, property development and trading, securities investment and trading and treasury investments.

The Company is a subsidiary of Shun Ho Resources. Under the Companies Ordinance, members of the Group who are shareholders of Shun Ho Resources have no right to vote at its meetings. Accordingly, the directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Resources, the results of Shun Ho Resources have therefore not been accounted for on an equity basis.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

19. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
GROSS AMOUNT (Note)	
At 1st January, 2003	131,792
Arising on acquisition during the year	<u>36,113</u>
At 31st December, 2003	<u>167,905</u>
RELEASED TO INCOME	
At 1st January, 2003	1,842
Amount released for the year	<u>4,316</u>
At 31st December, 2003	<u>6,158</u>
CARRYING AMOUNT	
At 31st December, 2003	<u>161,747</u>
At 31st December, 2002	<u>129,950</u>

Note: The negative goodwill arose from the acquisition of interests in Magnificent. The negative goodwill, other than the portion attributable to properties held for sale, is recognised to income on a straight-line basis over a period of approximately 40 years, being the average useful life of the properties carried by Magnificent group for long term purposes. Negative goodwill attributable to the properties held for sale will be released to income upon disposal of such properties.

20. 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:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,941	2,468
31 – 60 days	101	735
Over 60 days	283	546
	<u>2,325</u>	<u>3,749</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

21. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	9,922	11,161
31 – 60 days	263	651
Over 60 days	5,245	3,477
	<u>15,430</u>	<u>15,289</u>

22. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 2003 & 2002 '000	Nominal value 2003 & 2002 HK\$'000
Ordinary shares of HK\$0.5 each		
Authorised		
At the beginning and end of the year	<u>640,000</u>	<u>320,000</u>
Issued and fully paid		
At the beginning and end of the year	<u>537,077</u>	<u>268,538</u>

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

At 31st December, 2003, 83,739,510 (2002: 83,739,510) issued shares of the Company with an aggregate nominal value of HK\$41,869,755 (2002: HK\$41,869,755) 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.

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

22. SHARE CAPITAL *(Continued)*

Share options

The share option schemes of the Company and Magnificent, which were respectively adopted on 30th June, 1990 and 27th September, 1990 for the primary purpose of providing incentives to directors and eligible employees, expired on 30th June, 2000 and 27th September, 2000 respectively. Details of share options previously granted which were cancelled during the year are as follows:

(a) *The Company*

The share options outstanding at 31st December, 2002, which were granted to a director on 19th October, 1993 to subscribe for 5,374,691 ordinary shares of the Company at the subscription price of HK\$1.11 per share exercisable during the period from 20th October, 1993 to 19th October, 2003, were cancelled during the year.

(b) *Magnificent*

The share options outstanding at 31st December, 2002, which were granted to a director on 29th June, 1994 to subscribe for 43,799,524 ordinary shares of Magnificent at the subscription price of HK\$0.2 per share exercisable during the period from 30th June, 1994 to 29th June, 2004, were cancelled during the year.

Warrants

At 31st December, 2002, a total of 644,713,356 units of warrants issued by Magnificent were outstanding, of which 629,361,166 units were held by the Company and its subsidiary. The warrants, which carried an aggregate subscription right of HK\$22,564,967, entitled the holders thereof to subscribe for shares in Magnificent at the subscription price of HK\$0.035 per share during the three months period commencing from 14th November, 2002.

During the year, 629,350,706 units of such warrants held by the Company and a subsidiary were exercised at a price of HK\$0.035 per share. The remaining warrants not exercised had lapsed.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

23. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Securities revaluation reserve HK\$'000	General reserve HK\$'000	Negative goodwill (goodwill) on consolidation HK\$'000	Retained profits HK\$'000	Own shares held by a subsidiary HK\$'000	Total HK\$'000
THE GROUP										
At 1st January, 2002										
– as originally stated	118,800	4,181	206,722	59,501	(24,781)	263	10,825	276,204	(15,073)	636,642
– adjustment on adoption of SSAP 12 (Revised) (note 2)	–	–	(6,841)	(10,858)	–	–	(21,965)	(2,414)	–	(42,078)
– as restated	118,800	4,181	199,881	48,643	(24,781)	263	(11,140)	273,790	(15,073)	594,564
Net decrease on revaluation less minority interests										
– properties	–	–	(43,722)	(5,617)	–	–	–	–	–	(49,339)
– securities	–	–	–	–	(2,935)	–	–	–	–	(2,935)
Deferred tax liability arising on revaluation of properties, net of minority interests	–	–	–	(748)	–	–	–	–	–	(748)
Unrealised loss on securities charged to income	–	–	–	–	399	–	–	–	–	399
Net profit for the year	–	–	–	–	–	–	–	24,130	–	24,130
At 31st December, 2002	118,800	4,181	156,159	42,278	(27,317)	263	(11,140)	297,920	(15,073)	566,071
Increase on revaluation less minority interests										
– properties	–	–	13,170	–	–	–	–	–	–	13,170
– securities	–	–	–	–	3,534	–	–	–	–	3,534
Deferred tax liability arising on a change in tax rate, net of minority interests	–	–	(641)	(1,061)	–	–	–	–	–	(1,702)
Released to income on disposal	–	–	(300)	–	–	–	–	–	–	(300)
Net loss for the year	–	–	–	–	–	–	–	(4,459)	–	(4,459)
At 31st December, 2003	118,800	4,181	168,388	41,217	(23,783)	263	(11,140)	293,461	(15,073)	576,314
The Group's share of post-acquisition reserves of the associates included in reserves is analysed below:										
At 31st December, 2003	–	–	1,086	–	–	–	–	2,917	–	4,003
At 31st December, 2002	–	–	1,086	–	–	–	–	2,189	–	3,275
THE COMPANY										
At 1st January, 2002	118,800	4,181	–	–	–	–	–	205,568	–	328,549
Net profit for the year	–	–	–	–	–	–	–	3,460	–	3,460
At 31st December, 2002	118,800	4,181	–	–	–	–	–	209,028	–	332,009
Net loss for the year	–	–	–	–	–	–	–	(925)	–	(925)
At 31st December, 2003	118,800	4,181	–	–	–	–	–	208,103	–	331,084

Note: The property revaluation reserves are not distributable to shareholders until they are realised. The Company's reserves available for distribution to shareholders at 31st December, 2003 represent retained profits of HK\$208,103,000 (2002: HK\$209,028,000). The directors do not recommend the payment of a dividend in respect of the year (2002: Nil).

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

24. LONG TERM BANK LOANS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Secured bank loans repayable between two and five years	123,625	–

25. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Revaluation of properties	Hotel property (Note)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
At 1 January, 2002				
– as originally stated	–	–	–	–
– prior period adjustment (note 2)	4,201	28,986	44,800	77,987
	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	4,201	28,986	44,800	77,987
Charge to income statement	1,706	–	–	1,706
Charge to equity	–	1,466	–	1,466
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2002	5,907	30,452	44,800	81,159
Charge to income statement	1,690	–	–	1,690
Effect of a change in tax rate				
– charge to income statement	1,688	–	2,715	4,403
– charge to equity	–	2,268	–	2,268
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	9,285	32,720	47,515	89,520

Note: The deferred tax liability on the hotel property is attributable to the excess of the carrying amount of the property, which is held by a subsidiary of Magnificent, over its tax base at the time when the subsidiary was acquired by the Group.

At the balance sheet date, the Group has unused tax losses of HK\$42,942,000 (2002: HK\$45,815,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Substantially all the unrecognised tax losses may be carried forward indefinitely.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

26. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(a) Consideration for the acquisition of a property contracted but not provided for in the financial statements	<u>13,110</u>	<u>–</u>
(b) Property development expenditure contracted but not provided for in the financial statements	<u>–</u>	<u>25,313</u>

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

27. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$20,480,000 (2002: HK\$24,864,000). The properties under leases have committed tenants for one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	14,372	16,674
In the second to fifth years inclusive	<u>4,307</u>	<u>9,431</u>
	<u>18,679</u>	<u>26,105</u>

The Group as lessee

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Minimum lease payments for office premises paid under operating leases during the year	<u>161</u>	<u>198</u>

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

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

28. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the balance sheet date, the bank loan facilities of the Group, which were utilised to the extent of approximately HK\$283 million (2002: HK\$90 million), were secured by the following:

- (a) hotel property and other properties of the Group with carrying amounts of approximately HK\$450 million (2002: HK\$450 million) and HK\$530 million (2002: HK\$278 million) respectively;
- (b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$367 million (2002: HK\$329 million);
- (c) assignment of the rentals and hotel revenue of a subsidiary; and
- (d) pledge of listed securities and bank deposits held by subsidiaries with a carrying amount of approximately HK\$49 million (2002: HK\$50 million) and HK\$126,000 (2002: HK\$2,860,000) respectively.

29. RELATED PARTY TRANSACTIONS

- (a) During the year, the holding company, Shun Ho Resources, made unsecured short-term advances to the Company which carry interest chargeable at Hong Kong Inter-bank Offer Rate (“HIBOR”) plus 1% per annum. The advances are repayable on demand. Interest paid or payable by the Company on such advances amounted to HK\$362,000 (2002: HK\$655,000) in respect of the year. At the balance sheet date, such advances amounted to HK\$17,557,000 (2002: HK\$17,677,000) remained outstanding.

In addition, the Group had trade balance due from Shun Ho Resources amounted to HK\$496,000 (2002: HK\$296,000) which is unsecured, interest free and repayable on demand.

During the year, corporate management fees were charged by the Group to Shun Ho Resources amounted to HK\$150,000 (2002: HK\$75,000) for administrative facilities provided on a cost reimbursement basis.

- (b) During the year, a subsidiary, Claymont Services Limited (“Claymont”), 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 (2002: HK\$60,000,000) carried interest chargeable at the rate of 3% to 5% (2002: 5%) per annum with the remaining balance interest free. Interest receivable by Claymont in respect of the year on such advances amounted to HK\$2,400,000 (2002: HK\$3,000,000). At the balance sheet date, advances due from the associate to the Group amounted to HK\$84,786,000 (2002: HK\$87,585,000) remained outstanding.

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. Assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiary operating in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The cost charged to income of HK\$962,000 (2002: HK\$976,000) represents contributions payable to the schemes by the Group in respect of the current accounting period. The forfeited contributions under the Group’s defined contribution retirement scheme which had been suspended are immaterial.

Notes to the Financial Statements (Continued)

For the Year Ended 31st December, 2003

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All subsidiaries are incorporated and operating in Hong Kong except as otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2003 or at any time during the year.

Name of subsidiary	Paid up issued/registered ordinary capital		Proportion of nominal value of issued/ registered ordinary capital held by		Principal activities
	Number of shares	Par value	Company %	Subsidiary %	
Duplexway Limited	2	HK\$1	100	–	Property investment
Good Taylor Limited	2	HK\$1	100	–	Investment holding
Noblesse International Limited (i)	1	US\$1	100	–	Property investment
Shun Ho (Lands Development) Limited (i)	10	US\$1	100	–	Investment holding
South Point Investments Limited (i)	1	US\$1	100	–	Investment holding
Babenna Limited	2	HK\$10	–	100	Investment holding
City Wealth Limited	2	HK\$1	–	100	Property investment
Claymont Services Limited (i)	1	US\$1	–	100	Investment holding
Gainwell Holdings Limited	2	HK\$1	–	100	Property investment
Harbour Rich Industrial Limited	10,000	HK\$1	–	100	Property development
Houston Venture Limited (i)	1	US\$1	–	100	Investment holding
Joes River Limited	2	HK\$1	–	100	Property investment
Joligance Limited	2	HK\$1	–	100	Investment holding
Longham Investment Limited (i)	1	US\$1	–	100	Investment holding
Magnificent Estates Limited	5,464,700,883	HK\$0.01	62.5	6.7	Investment holding and provision of management services
Magnificent International Hotel Limited	2	HK\$1	–	100	Property investment
Mercury Fast Limited	2	HK\$1	–	100	Securities trading and investment holding
New Champion Developments Limited (i)	1	US\$1	–	100	Vessel leasing
Shanghai Shun Ho (Lands Development) Limited (i)	1	US\$1	–	100	Investment holding
Shanghai Shun Ho Property Development Co., Ltd. (ii)	Registered capital	US\$4,950,000	–	100	Investment in and operations of furnished suites
Shun Ho Capital Properties Limited (i)	1	US\$1	–	100	Investment holding
Shun Ho Real Estate Limited	2	HK\$1	50	50	Provision of hospitality services
Silver Courage Company Limited	2	HK\$10	–	100	Property investment
Tennyland Limited	2	HK\$10	–	100	Property investment
Trans-Profit Limited	1,000,000	HK\$1	–	100	Property investment
United Assets Company Limited	2,000,000	HK\$1	–	100	Hotel investment and investment holding

Notes to the Financial Statements *(Continued)*

For the Year Ended 31st December, 2003

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

- (i) *Incorporated in the British Virgin Islands*
- (ii) *Wholly foreign owned enterprise established and operating in the PRC*

The directors are of the opinion that a complete list of the particulars of all the subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results and assets of the Group.

32. POST BALANCE SHEET EVENTS

- (a) In December 2003, the Group entered into an agreement with an independent third party for the acquisition of a property for a cash consideration of HK\$13,800,000. The acquisition was completed subsequent to the balance sheet date.
- (b) Subsequent to the balance sheet date, the Group entered into agreements with certain independent third parties for the disposal of its investment properties for an aggregate cash consideration of HK\$281,660,000 which is above the carrying amounts of the properties disposed. Up to the date of approval of these financial statements, the disposal of one of the properties for a consideration of HK\$250,000,000 has not been completed.