



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

Interim Report 2004  
二零零四年中期報告

## **MANAGEMENT COMMENTARY**

### **INTERIM RESULTS**

The board of directors (the “Board”) of Shun Ho Resources Holdings Limited (the “Company”) announces that the unaudited consolidated profit after taxation and minority interests of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2004 amounted to approximately HK\$92,881,000 (30/6/2003: loss of approximately HK\$8,926,000).

The results of the Group for the six months ended 30th June, 2004 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**

Due to the large capital investments in the coming future and the outstanding bank loans, the Board has decided not to declare an interim dividend for the six months ended 30th June, 2004 (30/6/2003: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial period under review, the Company’s major subsidiaries, Shun Ho Technology Holdings Limited (“Shun Ho Technology”) and Magnificent Estates Limited (“Magnificent”), continued with its operations of property investment, development and leasing, investment in and operation of hotel and furnished suites and investment holding.

The increase in turnover was due to the increase in revenue derived from the hotel business during the period. The increase in net profit was mainly due to the increase in inbound visitors which has a positive impact on hotel occupancies and room rates and a gain on disposal of investment properties by Shun Ho Technology and Magnificent.

Operating income from Ramada Hotel Kowloon increased as the effect of the SARS diseases has faded away in the first half of the year. The average occupancy rate of the hotel for the period was approximately 85% and the room rate was in line with the hotel market. Planning is made to increase the number of rooms of the hotel from 205 to about 305.

Magnificent completed the acquisition of the hotel property at No. 308 Des Voeux Road West, Hong Kong in June 2004. The total area of the building is about 160,000 square feet and will comprise a total of 319 guest-rooms, a restaurant and banquet facilities. The hotel is scheduled for opening in late 2004.

Construction of Magnificent’s hotel development site at No. 633 King’s Road, North Point is progressing on schedule, the podium floors will be completed before the Chinese New Year 2005. The site will be developed into a 4-star hotel.

In Shanghai PRC, the Magnificent International Hotel at Xizang Road has continued to contribute profit to the Group.

In March 2004, Magnificent completed the sale of House No. 23 Las Pinadas at No. 33 Shouson Hill Road for a consideration of HK\$31.7 million which generated a profit to the Group.

In May 2004, Shun Ho Technology completed the sale of the investment property at No. 3-5 Plunkett's Road for a consideration of HK\$250 million, realising a gain on disposal of approximately HK\$177 million.

The development of Villa Royale, Magnificent's 34 town houses at Ho Chung, was completed in late 2003. The sale of the development properties has been launched in August and is expected to contribute development profit for the financial year 2005.

Also in March 2004, Magnificent completed the acquisition of a luxurious residential development site of about 10,000 square feet at So Kun Wat, Tuen Mun, N.T. for a consideration of HK\$13.8 million.

As to property leasing, the Group's investment properties maintained an overall occupancy of approximately 90% during the period.

At 30th June, 2004, gearing of the Group in terms of external bank borrowings on funds employed increased to around 38%. The increase was mainly due to the increase of secured bank loans which were utilised to finance the acquisition of a hotel property. The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

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

Looking ahead, the Board considers that the economic recovery in Hong Kong is well on its way. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong helps stimulate further recovery. It is envisaged that the hotel business should further improve during the rest of the year, confirming the Group's correct strategy to build up a portfolio of prime 4-star hotels in Hong Kong and major cities of China. The recent rising property prices also add momentum to the Hong Kong business environment. The Group will continue to acquire quality residential development sites should the opportunity arises. As a whole, the Group will take a cautious approach in its business development.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2004, 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

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
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
Fung Chi Keung	Beneficial owner	Personal	2,000	0.0007

*Note:*

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 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 <i>(Note 1)</i>	Interest of controlled corporations	Corporate	350,628,682	65.3
William Cheng Kai Man	Magnificent Estates Limited <i>(Note 2)</i>	Interest of controlled corporations	Corporate	3,781,883,239	69.2
William Cheng Kai Man	Trillion Resources Limited <i>(Note 3)</i>	Beneficial owner	Personal	1	100
Fung Chi Keung	Shun Ho Technology Holdings Limited	Beneficial owner	Personal	2,000	0.0004
Fung Chi Keung	Magnificent Estates Limited	Beneficial owner	Personal	2,000	0.00004

*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.

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, 2004, 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 the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the 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, 2004, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of shareholding</b>
Mercury Fast Limited ("Mercury")	Beneficial owner	62,602,700	20.6
Magnificent Estates Limited ("Magnificent") ( <i>Note 1</i> )	Interest of controlled corporations	62,602,700	20.6
Shun Ho Technology Holdings Limited ("Shun Ho Technology") ( <i>Note 2</i> )	Interest of controlled corporations	62,602,700	20.6
Trillion Resources Limited ("Trillion") ( <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:*

1. Magnificent and Shun Ho Technology were taken to be interested in 62,602,700 shares of the Company (“Shares”) owned by Mercury, a wholly-owned subsidiary of Magnificent which in turn owned as to 69.2% by Shun Ho Technology and its subsidiaries.
2. Trillion 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. Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, 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. Trillion is wholly-owned by Mr. William Cheng Kai Man.
3. 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, 17th September, 2004

## INDEPENDENT REVIEW REPORT

# Deloitte.

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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 Institute of Certified Public 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 Institute of Certified Public 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, 2004.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
17th September, 2004

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2004**

		<b>Six months ended</b>	
		<b>30.6.2004</b>	30.6.2003
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<b>39,563</b>	29,646
Cost of sales		<b>(8,130)</b>	(4,645)
Other service costs		<b>(12,993)</b>	(11,705)
		<b>18,440</b>	13,296
Gain on investments in securities		<b>338</b>	437
Other operating income		<b>2,778</b>	3,071
Administrative expenses		<b>(10,153)</b>	(10,308)
Gain (loss) on disposal of investment properties	9	<b>181,854</b>	(26,087)
Profit (loss) from operations	5	<b>193,257</b>	(19,591)
Finance costs	6	<b>(1,636)</b>	(1,563)
Share of profits of associates		<b>2,300</b>	1,632
Profit (loss) from ordinary activities before taxation		<b>193,921</b>	(19,522)
Income tax expense	7	<b>(2,760)</b>	(6,707)
Profit (loss) before minority interests		<b>191,161</b>	(26,229)
Minority interests		<b>(98,280)</b>	17,303
Net profit (loss) for the period		<b>92,881</b>	(8,926)
		<b>HK Cents</b>	<b>HK Cents</b>
Earnings (loss) per share	8		
Basic		<b>38.4</b>	(3.7)



**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30TH JUNE, 2004

	<i>Notes</i>	<b>30.6.2004</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2003 <i>HK\$'000</i> <b>(audited)</b>
<b>Non-current Assets</b>			
Investment properties	9	<b>388,200</b>	588,200
Property, plant and equipment	9	<b>996,169</b>	631,535
Properties under development		<b>246,168</b>	241,967
Interests in associates		<b>93,005</b>	93,300
Investments in securities		<b>780</b>	780
Negative goodwill		<b>(155,157)</b>	(157,333)
		<b>1,569,165</b>	1,398,449
<b>Current Assets</b>			
Inventories		<b>414</b>	406
Properties for sale		<b>166,949</b>	148,972
Investments in securities		<b>23,523</b>	23,995
Trade and other receivables	10	<b>1,887</b>	2,531
Deposits and prepayments		<b>2,525</b>	1,954
Pledged bank deposits	16	<b>150</b>	126
Bank balances and cash		<b>115,134</b>	12,209
		<b>310,582</b>	190,193
<b>Current Liabilities</b>			
Trade and other payables	11	<b>11,370</b>	16,230
Rental and other deposits received		<b>3,758</b>	4,654
Tax liabilities		<b>2,959</b>	1,242
Bank loans, secured	12	<b>167,897</b>	159,663
		<b>185,984</b>	181,789
<b>Net Current Assets</b>			
		<b>124,598</b>	8,404
		<b>1,693,763</b>	1,406,853
<b>Capital and Reserves</b>			
Share capital	13	<b>152,184</b>	152,184
Reserves	14	<b>318,254</b>	276,230
		<b>470,438</b>	428,414
<b>Minority Interests</b>			
		<b>811,363</b>	765,294
<b>Non-current Liabilities</b>			
Long term bank loans, secured	12	<b>322,505</b>	123,625
Deferred tax liabilities		<b>89,457</b>	89,520
		<b>411,962</b>	213,145
		<b>1,693,763</b>	1,406,853

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2004*

	<b>Total equity</b> <i>HK\$'000</i> (Unaudited)
At 1st January, 2003	425,667
Increase (decrease) on revaluation less minority interests	
– properties	3,094
– securities	(46)
Deferred tax liabilities arising on a change in tax rate	(998)
Net gains not recognised in the income statement	2,050
Net loss for the period	(8,926)
Impairment loss on securities charged to income	46
Investment property revaluation reserve released to income statement on disposal of property	(148)
At 30th June, 2003	<u>418,689</u>
At 1st January, 2004	428,414
Net profit for the period	92,881
Investment property revaluation reserve released to income statement on disposal of properties	(50,857)
At 30th June, 2004	<u>470,438</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***FOR THE SIX MONTHS ENDED 30TH JUNE, 2004*

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash (used in) from operating activities	<b>(13,410)</b>	1,323
Net cash used in investing activities	<b>(88,204)</b>	(12,274)
Net cash from financing activities	<b>204,539</b>	12,760
Net increase in cash and cash equivalents	<b>102,925</b>	1,809
Cash and cash equivalents at beginning of the period	<b>12,209</b>	9,917
Cash and cash equivalents at end of the period	<b>115,134</b>	11,726
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>115,134</b>	11,726

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2004*

**1. BASIS OF PREPARATION**

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 No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

**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, 2003.

**3. TURNOVER**

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<i>HK\$’000</i>	<i>HK\$’000</i>
Income from operation of hotel and furnished suites	<b>21,755</b>	12,721
Property rentals	<b>8,219</b>	10,688
Proceeds from sale of trading securities	<b>8,097</b>	3,890
Interest from		
A property owning associate	<b>900</b>	1,500
Debt securities	<b>588</b>	584
Dividends from listed securities	<b>4</b>	263
	<u><b>39,563</b></u>	<u>29,646</u>

**4. SEGMENT INFORMATION**

**Business segment**

The Group’s primary format for reporting segment information is business segment. The turnover and contribution to Group results in respect of the interim periods were derived from the following businesses:

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

4. SEGMENT INFORMATION (Continued)

Business segment (Continued)

Segment information about these businesses is presented below:

Six months ended 30th June, 2004

	Hospitality services HK\$'000	Property investment HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER					
External	<u>21,755</u>	<u>9,119</u>	<u>8,689</u>	<u>-</u>	<u>39,563</u>
SEGMENT RESULTS					
Operations	8,899	9,786	1,718	(67)	20,336
Gain on disposal of investment properties	<u>-</u>	<u>181,854</u>	<u>-</u>	<u>-</u>	<u>181,854</u>
	<u>8,899</u>	<u>191,640</u>	<u>1,718</u>	<u>(67)</u>	<u>202,190</u>
Other income					85
Unallocated corporate expenses					<u>(9,018)</u>
Profit from operations					193,257
Finance costs					(1,636)
Share of profits of associates	-	2,300	-	-	<u>2,300</u>
Profit from ordinary activities before taxation					<u>193,921</u>

#### 4. SEGMENT INFORMATION (Continued)

##### Business segment (Continued)

Six months ended 30th June, 2003

	Hospitality services <i>HK\$'000</i>	Property investment <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	<u>12,721</u>	<u>12,188</u>	<u>4,737</u>	<u>–</u>	<u>29,646</u>
<b>SEGMENT RESULTS</b>					
Operations	1,372	13,155	1,101	(71)	15,557
Loss on disposal of an investment property	<u>–</u>	<u>(26,087)</u>	<u>–</u>	<u>–</u>	<u>(26,087)</u>
	<u>1,372</u>	<u>(12,932)</u>	<u>1,101</u>	<u>(71)</u>	<u>(10,530)</u>
Other income					24
Unallocated corporate expenses					<u>(9,085)</u>
Loss from operations					(19,591)
Finance costs					(1,563)
Share of profits of associates	–	1,632	–	–	<u>1,632</u>
Loss from ordinary activities before taxation					<u>(19,522)</u>

##### Geographical segment

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

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>33,467</b>	24,842
Other regions in the People's Republic of China	<b>6,096</b>	4,804
	<b><u>39,563</u></b>	<u>29,646</u>

## 5. PROFIT (LOSS) FROM OPERATIONS

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit (loss) from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>808</b>	847
Negative goodwill included in other operating income	<b>(2,176)</b>	(2,044)
	<u><b>                    </b></u>	<u><b>                    </b></u>

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	<b>2,188</b>	2,297
Less: Amount capitalised on properties under development	<b>(552)</b>	(734)
	<u><b>1,636</b></u>	<u><b>1,563</b></u>

## 7. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current tax		
Hong Kong Profits Tax	<b>2,326</b>	772
Deferred taxation		
Current period	<b>(64)</b>	1,322
Attributable to a change in tax rate	<b>–</b>	4,403
	<u><b>(64)</b></u>	<u><b>5,725</b></u>
Taxation attributable to the Company and subsidiaries	<b>2,262</b>	6,497
Share of taxation of associates	<b>498</b>	210
	<u><b>2,760</b></u>	<u><b>6,707</b></u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2003: 17.5%) of the estimated assessable profit for the period.

## 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings/loss per share is based on the net profit for the period of HK\$92,881,000 (six months ended 30.6.2003: net loss of HK\$8,926,000) and on 241,766,050 (six months ended 30.6.2003: 241,766,050) shares in issue during the period. The number of shares adopted in the calculation of the earnings/loss per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share for the current period is not shown as there is no potential ordinary share outstanding throughout the period.

Diluted earnings per share is not presented for the prior period as the exercise prices of the warrants and share options issued/granted by the Company's listed subsidiaries, Shun Ho Technology Holdings Limited and Magnificent Estates Limited ("Magnificent"), are higher than the average market prices for shares for that period.

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

Included in property, plant and equipment is a hotel property acquired during the period from a third party for a consideration of HK\$350,000,000. Details of the terms of this acquisition have been set out in the circular dated 5th June, 2004 issued by the Company.

The expenditure on renovation of the hotel property acquired during the period, which was not yet contracted for as at the balance sheet date, is estimated to be in the region of HK\$25 million.

During the period, the Group disposed of certain of its investment properties for an aggregate consideration of HK\$281,660,000 which gave rise to a gain on disposal of approximately HK\$181,854,000. The gain has been arrived at after including the surplus on revaluation of those properties amounted to HK\$50,857,000 released from reserve.

The directors have considered the carrying amounts of the Group's hotel properties, furnished suites and investment properties at 30th June, 2004 and are of the opinion that the carrying amounts of these properties do not differ significantly from their open market values as at that date. Accordingly, no surplus or deficit on revaluation of these properties has been recognised in the current period.

## 10. 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>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
0-30 days	<b>1,396</b>	1,941
31-60 days	<b>154</b>	101
Over 60 days	<b>337</b>	489
	<hr/> <b>1,887</b> <hr/>	<hr/> 2,531 <hr/>



## 11. TRADE AND OTHER PAYABLES

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

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
0-30 days	5,355	10,180
31-60 days	577	263
Over 60 days	5,438	5,787
	<u>11,370</u>	<u>16,230</u>

## 12. BANK LOANS, SECURED

During the period, the Group obtained new bank loans totalling HK\$263,000,000. A substantial portion of the new bank loans, which bear interest at prevailing market rates, was utilised to finance the acquisition of a hotel property.

## 13. SHARE CAPITAL

	<b>30.6.2004 &amp; 31.12.2003</b>	
	<b>Number of shares</b> <i>'000</i>	<b>Nominal value</b> <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, 2004, 62,602,700 (31.12.2003: 62,602,700) issued shares of the Company with an aggregate nominal value of HK\$31,301,350 (31.12.2003: 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.

#### 14. RESERVES

	Share premium	Investment property revaluation reserve	Other property revaluation reserve	Securities revaluation reserve	Goodwill on consolidation	Retained profits	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, 2003	20,068	71,619	18,741	(12,252)	(6,991)	195,132	(12,834)	273,483
Increase (decrease) on revaluation, less minority interests	-	3,094	-	(46)	-	-	-	3,048
Deferred tax liabilities arising on a change in tax rate	-	(471)	(527)	-	-	-	-	(998)
Impairment loss on 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	20,068	74,094	18,214	(12,252)	(6,991)	186,206	(12,834)	266,505
Increase on revaluation, less minority interests	-	3,445	-	-	-	-	-	3,445
Deferred tax liabilities arising	-	152	-	-	-	-	-	152
Net profit for the period	-	-	-	-	-	6,128	-	6,128
At 31st December, 2003	20,068	77,691	18,214	(12,252)	(6,991)	192,334	(12,834)	276,230
Released to income statement on disposal	-	(50,857)	-	-	-	-	-	(50,857)
Net profit for the period	-	-	-	-	-	92,881	-	92,881
At 30th June, 2004	<u>20,068</u>	<u>26,834</u>	<u>18,214</u>	<u>(12,252)</u>	<u>(6,991)</u>	<u>285,215</u>	<u>(12,834)</u>	<u>318,254</u>

The directors do not recommend the payment of an interim dividend in respect of the current period (2003: Nil).

#### 15. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments as follows:

	<b>30.6.2004</b> <b>HK\$'000</b>	31.12.2003 HK\$'000
Contracted but not provided for in the financial statements:		
Property development expenditure	<u><u>4,811</u></u>	<u><u>-</u></u>
Consideration for the acquisition of a property	<u><u>-</u></u>	<u><u>13,110</u></u>

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

At the balance sheet date, the bank loan facilities of subsidiaries, which were utilised to the extent of approximately HK\$490 million (31.12.2003: HK\$283 million), were secured by the following:

- hotel properties and other properties of the Group with carrying amounts of approximately HK\$814 million (31.12.2003: HK\$450 million) and HK\$543 million (31.12.2003: HK\$530 million) respectively;
- pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$347 million (31.12.2003: HK\$367 million);
- assignment of the rentals and hotel revenue of a subsidiary; and
- pledge of the listed securities and bank deposits held by subsidiaries with carrying amounts of approximately HK\$65 million (31.12.2003: HK\$49 million) and HK\$150,000 (31.12.2003: HK\$126,000) respectively.

## **17. RELATED PARTY TRANSACTIONS**

During the period, the Group made unsecured advances to an associate, Lucky Country Development Limited, with no fixed repayment terms. Such advances to the extent of HK\$60,000,000 (31.12.2003: HK\$60,000,000) carried interest chargeable at the rate of 3% (six months ended 30.6.2003: 5%) per annum with the remaining balance interest free. Interest charged by the Group on such advances in respect of the period amounted to HK\$900,000 (six months ended 30.6.2003: HK\$1,500,000). At 30th June, 2004, advances due from this associate to the Group amounted to approximately HK\$85,186,000 (31.12.2003: HK\$84,786,000) remained outstanding.