



**SHUN HO RESOURCES
HOLDINGS LIMITED**

(Incorporated in Hong Kong with limited liability)

**Interim Report
For the year ending 31st December, 2001**

CONTENTS

	<i>Pages</i>
MANAGEMENT COMMENTARY	2-5
INDEPENDENT REVIEW REPORT	6
CONDENSED CONSOLIDATED INCOME STATEMENT	7
CONDENSED CONSOLIDATED BALANCE SHEET	8
CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES	9
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	10
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	11-13

MANAGEMENT COMMENTARY

INTERIM RESULTS

The board of directors (the "Board") of Shun Ho Resources Holdings Limited (the "Company") announces the unaudited consolidated loss after taxation of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2001 amounted to HK\$956,168.

The results of the Group for the six months ended 30th June, 2001 and its financial position as at that date are set out in the condensed financial statements on pages 7 to 13 of this report.

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 30th June, 2001 (30/6/2000: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial period under review, the Group as an investment holding concern has continued with the operations of property investment, property leasing and hotel investment through its associates, Shun Ho Technology Holdings Limited ("Shun Ho Technology") and Magnificent Estates Limited ("Magnificent"). The loss attributable to the shareholders for the period arose mainly due to the loss from Magnificent as a result of the value marked down to market price of the portfolio of securities investment in blue-chip stocks.

Operating income from Magnificent's hotel business recovered moderately during the financial period under review with an average occupancy rate of approximately 84%. However, the hotel business has experienced weakened market conditions subsequent to the period and it is anticipated that both occupancy and room rates may decline.

As to property leasing, Shun Ho Technology's and Magnificent's investment properties remained fully leased during the financial period under review.

Regarding property development, foundation works has been in progress at Magnificent's 34 town house project at Ho Chung, Sai Kung, N.T. and it is expected that the development will be completed by the end of 2002.

Subsequent to the financial period under review, Magnificent has entered into an agreement to acquire the Aspen Court at No. 46, High Street, Hong Kong. The property is a 26-storey commercial/residential building with a total gross floor area of approximately 40,214 sq.ft. The consideration for the purchase is HK\$68 million and the transaction is expected to be completed in October 2001.

As to capital expansion, in May 2001, Magnificent issued HK\$96.7 million of mandatorily convertible bonds the proceeds of which have been applied towards the reduction of Magnificent's current liabilities. Such convertible bonds will be fully converted into equity upon their maturity in November 2002 strengthening Magnificent's capital base. Gearing of the Group at 30th June, 2001 remained low with the total debt to equity ratio at less than five per cent.

As a whole, the Board expects the business environment in Hong Kong remains difficult as Hong Kong's economic recovery is likely to be hampered by the recent attacks on the U.S.A. Given the prevailing market outlook, the Group will follow a cautious approach in its business ventures.

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 SHARES, DEBT SECURITIES AND OPTIONS

(a) Shares and debt securities

At 30th June, 2001, the beneficial interests of the directors and their associates in the issued ordinary shares of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Number of ordinary shares and debt securities held			
	Personal interests	Family interests	Corporate interests	Other interests
Shares of HK\$0.5 each in the Company				
– William Cheng Kai Man	6,087,375	–	210,521,450 (Note 1)	–
– Jim Wong Tin Yue	103,687	–	–	–
– Albert Hui Wing Ho	45,787	–	–	–
Shares of HK\$0.50 each in Shun Ho Technology Holdings Limited ("Shun Ho Technology")				
– William Cheng Kai Man	–	–	347,859,682 (Note 2)	–
Shares of HK\$0.01 each in Magnificent Estates Limited ("Magnificent")				
– William Cheng Kai Man	–	–	1,580,629,620 (Note 3)	–
Convertible bonds in Magnificent				
– William Cheng Kai Man	–	–	HK\$94,404,175 (Note 4)	–
Warrants in Magnificent				
– William Cheng Kai Man	–	–	629,361,166 units (Note 4)	–

Notes:

1. Shun Ho Group Limited, a company controlled by Mr. William Cheng Kai Man, and a subsidiary of Magnificent, an associate of the Company, beneficially held 147,918,750 ordinary shares and 62,602,700 ordinary shares in the Company, representing approximately 48.6% and 20.6% interest in the Company's issued share capital respectively. Accordingly, Mr. William Cheng Kai Man was deemed to have interests in the shares of the Company, its subsidiaries and associates.
2. The Company and Magnificent, through their subsidiaries, respectively held beneficial interests in 265,720,172 and 82,139,510 ordinary shares in an associate, Shun Ho Technology, representing, approximately 49.5% and 15.3% interests in its issued share capital respectively.

3. Shun Ho Technology together with a subsidiary beneficially held 1,580,629,620 ordinary shares in Magnificent, representing approximately 49.0% interest in its issued share capital.
4. Shun Ho Technology together with a subsidiary beneficially held HK\$94,404,175 convertible bonds and 629,361,166 units of warrants in Magnificent, representing 97.6% interest in both outstanding convertible bonds and warrants.

(b) Options

No options to subscribe for shares in the Company were granted or exercised during the period. Share options previously granted to the Company's directors and their associates, which were outstanding at 30th June, 2001, were as follows:

	Number of shares issuable under options	Exercisable period		Subscription price per share HK\$
		From	To	
Shun Ho Technology				
William Cheng Kai Man	5,374,691	20th October, 1993	19th October, 2003	1.11
Magnificent				
William Cheng Kai Man	43,799,524	30th June, 1994	29th June, 2004	0.20

Other than as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, at 30th June, 2001, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, the interest of every person, other than a director or chief executive of the Company, in the equity securities of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares
Mercury Fast Limited	62,602,700
Shun Ho Group Limited (<i>Note 1</i>)	210,521,450
Madam Liza Lee Pui Ling (<i>Note 2</i>)	216,608,825

Notes:

1. Shun Ho Group Limited beneficially held 147,918,750 shares in the Company and was taken to be interested in 62,602,700 shares held by Mercury Fast Limited by virtue of Section 8(2) of the SDI Ordinance.
2. Madam Liza Lee Pui Ling was taken to be interested in 216,608,825 shares in the Company through the interests of her spouse. Mr. William Cheng Kai Man, a director of the Company, by virtue of Section 8(1) of the SDI Ordinance.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital at 30th June, 2001.

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 of Hong Kong Limited.

By order of the Board

Peter Lee Yip Wah
Secretary

Hong Kong, 21st September, 2001

INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

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 13.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required either for the statement of recognised gains and losses or for the cash flow statement included in the first interim financial report relating to accounting periods ended on or after 1st July, 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards ("SAS") 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, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative income statement for the six months ended 30th June, 2000 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 21st September, 2001

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

		Six months ended	
		30.6.2001	30.6.2000
		(unaudited)	(unaudited)
	<i>NOTES</i>	HK\$	HK\$
Turnover	3	848,619	1,112,840
Administrative expenses		(398,335)	(472,602)
		<hr/>	<hr/>
Profit from operations		450,284	640,238
Finance costs		(221,466)	(262,069)
Share of results of associates	4	(541,202)	1,960,421
		<hr/>	<hr/>
(Loss) profit from ordinary activities before taxation		(312,384)	2,338,590
Taxation	5	(643,784)	(257,571)
		<hr/>	<hr/>
Net (loss) profit for the period		(956,168)	2,081,019
		<hr/>	<hr/>
		HK cent	HK cent
(Loss) earnings per share			
Basic	6	(0.3)	0.7
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2001

	<i>NOTES</i>	30.6.2001 (unaudited) HK\$	31.12.2000 (audited) <i>HK\$</i>
Non-current Assets			
Property, plant and equipment	7	–	–
Interests in associates	8	472,119,432	473,766,233
		<u>472,119,432</u>	<u>473,766,233</u>
Current Assets			
Deposits and prepayments		240,918	162,889
Trading securities		43,060	44,893
Advance to an associate		28,593,325	32,085,189
Bank balances and cash		786	1,986
		<u>28,878,089</u>	<u>32,294,957</u>
Current Liabilities			
Trade and other payables	9	755,760	685,493
Amount due to an associate		75,760	4,177,294
Advance from a director		10,288,463	10,066,997
Taxation		47,880	–
Bank overdrafts, unsecured		198,719	34,500
		<u>11,366,582</u>	<u>14,964,284</u>
Net Current Assets		<u>17,511,507</u>	<u>17,330,673</u>
		<u>489,630,939</u>	<u>491,096,906</u>
Capital and Reserves			
Share capital	10	152,184,375	152,184,375
Reserves	11	337,446,564	338,912,531
		<u>489,630,939</u>	<u>491,096,906</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

	(unaudited) HK\$
Share of reserve movements of associates	
Increase in investment property revaluation reserve	25,979
Decrease in securities revaluation reserve	(535,778)
	<hr/>
Net losses not recognised in the income statement	(509,799)
Net loss for the period	(956,168)
	<hr/>
Total recognised losses	<u>(1,465,967)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

	(unaudited) HK\$
Net cash outflow from operating activities	(3,657,179)
Net cash outflow from returns on investments and servicing of finance	(221,466)
Net cashflow from taxation	–
Net cash inflow from investing activities	3,491,760
Net cash outflow before financing	(386,885)
Net cash inflow from financing	221,466
Decrease in cash and cash equivalents	(165,419)
Cash and cash equivalents at 1st January, 2001	(32,514)
Cash and cash equivalents at 30th June, 2001	<u>(197,933)</u>
Analysis of the balance of cash and cash equivalents	
Bank balances and cash	786
Bank overdrafts	(198,719)
	<u>(197,933)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

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 (“the Listing Rules”) and Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, except that, in this first year of implementation of SSAP 25, as permitted by the Listing Rules, no comparative amounts have been presented for either the condensed consolidated statement of recognised gains and losses or the condensed consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of trading securities.

The comparative income statement for the six months ended 30th June, 2000 has been restated to conform with the current period’s presentation.

The accounting policies adopted, which are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2000.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The revised accounting policy for goodwill is as follows:

Goodwill

In the current period, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and 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 arising on acquisitions prior to 1st January, 2001 will be credited to 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 over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as a deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

The adoption of the revised accounting policy does not have any material impact on the condensed financial statements of the Group for the period.

3. TURNOVER AND CONTRIBUTION

Turnover mainly represents interest income on bank deposits and advances.

Substantially all the activities of the Group are based in Hong Kong and all of the Group’s turnover and profit from operations were derived from Hong Kong.

4. SHARE OF RESULTS OF ASSOCIATES

Included in the Group’s attributable share of results of associates for the period is an amount of approximately HK\$4,494,000 (30.6.2000: HK\$1,136,000), representing losses on investments in securities sustained by associates.

5. TAXATION

	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong Profits Tax charge		
Company and subsidiaries	47,880	–
Associates	595,904	257,571
	643,784	257,571

6. (LOSS) EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the net loss for the period of HK\$956,168 (30.6.2000: net profit of HK\$2,081,019) and on 304,368,750 (30.6.2000: 304,368,750) shares in issue during the period.

Diluted earnings per share is not shown as the Company and its associates have no dilutive potential ordinary shares outstanding during either period.

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures, equipment and motor vehicles HK\$
Cost	
At 1st January, 2001 and 30th June, 2001	431,913
Depreciation	
At 1st January, 2001 and 30th June, 2001	(431,913)
Net Book Values	
At 30th June, 2001 and 31st December, 2000	<u><u>—</u></u>

8. INTERESTS IN ASSOCIATES

	30.6.2001 HK\$	31.12.2000 HK\$
Share of net assets (deficits) of associates		
Listed	472,032,095	473,676,457
Unlisted	(94,354)	(91,810)
	<u>471,937,741</u>	<u>473,584,647</u>
Amounts due from associates	181,691	181,586
	<u>472,119,432</u>	<u>473,766,233</u>
Market value of shares listed in Hong Kong	<u>62,401,180</u>	<u>65,056,550</u>

9. TRADE AND OTHER PAYABLES

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

	30.6.2001 HK\$	31.12.2000 HK\$
0 – 30 days	124,268	236,000
Over 60 days	631,492	449,493
	<u>755,760</u>	<u>685,493</u>

10. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.5 each		
Authorised:		
At 31st December, 2000 and 30th June, 2001	<u>400,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
At 31st December, 2000 and 30th June, 2001	<u>304,368,750</u>	<u>152,184,375</u>
At 30th June, 2001, 62,602,700 (31.12.2000: 62,602,700) ordinary shares in the Company were held by its associates.		

11. RESERVES

	Share premium HK\$	Capital reserve HK\$	Investment property revaluation reserve HK\$	Other property revaluation reserve HK\$	Securities revaluation reserve HK\$	Retained profits HK\$	Total HK\$
At 1st January, 2000	20,067,326	3,868,638	99,280,399	41,421,701	(6,462,585)	178,685,378	336,860,857
Share of reserves of associates	-	-	-	(577,735)	(2,871,740)	-	(3,449,475)
Profit for the year	-	-	-	-	-	5,501,149	5,501,149
At 31st December, 2000	<u>20,067,326</u>	<u>3,868,638</u>	<u>99,280,399</u>	<u>40,843,966</u>	<u>(9,334,325)</u>	<u>184,186,527</u>	<u>338,912,531</u>
Share of reserves of associates	-	-	25,979	-	(535,778)	-	(509,799)
Loss for the period	-	-	-	-	-	(956,168)	(956,168)
At 30th June, 2001	<u>20,067,326</u>	<u>3,868,638</u>	<u>99,306,378</u>	<u>40,843,966</u>	<u>(9,870,103)</u>	<u>183,230,359</u>	<u>337,446,564</u>

12. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

- (a) The Company made unsecured advances to an associate, Shun Ho Technology Holdings Limited, which carry interest chargeable at Hong Kong Inter-bank Offer Rate plus 1% per annum and are repayable on demand. Interest receivable by the Company on such advances amounted to HK\$845,429 (30.6.2000: HK\$1,112,840) in respect of the period. At the balance sheet date, advances to Shun Ho Technology Holdings Limited amounted to HK\$28,593,325 (31.12.2000: HK\$32,085,189) remained outstanding.
- (b) A director made unsecured advances to the Company which carry interest chargeable at the rate applicable to Hong Kong dollar fixed deposits plus 1% per annum and are repayable on demand. Interest payable by the Company on such advances amounted to HK\$221,466 (30.6.2000: HK\$261,764) in respect of the period. At the balance sheet date, advances amounted to HK\$10,288,463 (31.12.2000: HK\$10,066,997) remained outstanding.
- (c) Administrative expenses amounted to HK\$75,000 (30.6.2000: HK\$75,000) in respect of the period were payable by the Group to its associates on a cost reimbursement basis.
- (d) At the balance sheet date, the Group had amount due to an associate of HK\$75,760 (31.12.2000: HK\$4,177,294) which is unsecured, interest free and repayable on demand.