



**SHUN HO TECHNOLOGY  
HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

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

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## **MANAGEMENT COMMENTARY**

### **INTERIM RESULTS**

The board of directors (the "Board") of Shun Ho Technology 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\$2,294,826.

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 17 of this report.

### **INTERIM DIVIDENDS**

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 and its major associate, Magnificent Estates Limited ("Magnificent") have continued with the operations of property investment, property leasing and hotel investment. 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 seen weakened market conditions subsequent to the period and it is anticipated that both occupancy and room rates may decline.

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

As regards property development, foundation works have 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 fully 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 ten per cent.

Generally, 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 continue to follow its cautious approach in its business development.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## DIRECTORS' INTERESTS IN 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\$0.50 each in the Company				
– William Cheng Kai Man	–	–	347,859,682 <i>(Note 1)</i>	–
Shares of HK\$0.01 each in Magnificent Estates Limited ("Magnificent")				
– William Cheng Kai Man	–	–	1,580,629,620 <i>(Note 2)</i>	–
Convertible bonds in Magnificent				
– William Cheng Kai Man	–	–	HK\$94,404,175 <i>(Note 4)</i>	–
Warrants in Magnificent				
– William Cheng Kai Man	–	–	629,361,166 units <i>(Note 4)</i>	–

#### 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 Shun Ho Resources Holdings Limited ("Shun Ho Resources"), representing approximately 48.6% and 20.6% interests in the issued share capital of Shun Ho Resources respectively. Mr. William Cheng Kai Man also had personal interests in 6,087,375 ordinary shares in Shun Ho Resources at 30th June, 2001. Shun Ho Resources and Magnificent, through their respective subsidiaries, respectively held beneficial interests in 265,720,172 and 82,139,510 ordinary shares in the Company, representing approximately 49.5% and 15.3% interests 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 together with a subsidiary beneficially held 1,580,629,620 ordinary shares in Magnificent, representing approximately 49.0% interest in its issued share capital.
3. The Company 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. Details of the convertible bonds and warrants are shown in note 13 to the condensed financial statements.

**(b) Options**

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

	<b>Number of Shares issuable under options</b>	<b>Exercisable period</b>		<b>To</b>	<b>Subscription price per share HK\$</b>
		<b>From</b>			
<b>The Company</b>					
William Cheng Kai Man	5,374,691	20th October, 1993	19th October, 2003		1.11
<b>Magnificent</b>					
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 company, at 30th June, 2001, none of the directors or their associates had any interests in the 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:

<b>Name</b>	<b>Number of shares</b>
Mercury Fast Limited	81,167,510
Omnico Company Inc. (Note 1)	345,107,682
Shun Ho Resources Holdings Limited (Note 2)	345,107,682
Shun Ho Group Limited (Note 2)	345,107,682
Madam Liza Lee Pui Ling (Note 3)	345,107,682

*Notes:*

1. Omnico Company Inc. beneficially held 265,720,172 shares in the Company and was taken to be interested in 79,387,510 shares in the Company held by its associate, Mercury Fast Limited, in accordance with Section 8(2) of the SDI ordinance.

2. Shun Ho Resources Holdings Limited and Shun Ho Group Limited were taken to be interested in 345,107,682 shares in the Company by virtue of their direct or indirect interests in Omnico Company Inc. in accordance with Section 8(2) of the SDI Ordinance.
3. Madam Liza Lee Pui Ling was taken to be interested in 345,107,682 shares in the Company by virtue of the interests of her spouse. Mr William Cheng Kai Man, a director of the Company, in accordance with 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

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Touche  
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### **TO THE BOARD OF DIRECTORS OF SHUN HO TECHNOLOGY 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 17.

#### **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**

		<b>Six months ended</b>	
		<b>30.6.2001</b>	30.6.2000
		<b>(unaudited)</b>	(unaudited)
	<i>NOTES</i>	<b>HK\$</b>	<b>HK\$</b>
Turnover	3	<b>7,324,086</b>	8,809,343
Rental outgoings		<b>(178,337)</b>	(113,464)
		<b>7,145,749</b>	8,695,879
Other revenue	4	<b>133,871</b>	654,616
Administrative expenses		<b>(1,622,876)</b>	(2,043,980)
Other operating expenses		<b>(80,267)</b>	(2,015,755)
Profit from operations	5	<b>5,576,477</b>	5,290,760
Finance costs	6	<b>(1,429,858)</b>	(1,860,723)
Share of results of associates	7	<b>(5,236,137)</b>	540,257
(Loss) profit from ordinary activities before taxation		<b>(1,089,518)</b>	3,970,294
Taxation	8	<b>(1,205,308)</b>	(520,976)
Net (loss) profit for the period		<b>(2,294,826)</b>	3,449,318
		<b>HK cent</b>	HK cent
(Loss) earnings per share	9		
Basic		<b>(0.43)</b>	0.64



**CONDENSED CONSOLIDATED BALANCE SHEET**  
AS AT 30TH JUNE, 2001

		<b>30.6.2001</b>	31.12.2000
		<b>(unaudited)</b>	(audited)
	<i>NOTES</i>	<b>HK\$</b>	<b>HK\$</b>
<b>Non-current Assets</b>			
Investment properties	<i>10</i>	<b>266,500,000</b>	266,500,000
Property, plant and equipment	<i>11</i>	<b>551,740</b>	615,075
Interests in associates	<i>12</i>	<b>551,609,319</b>	607,374,073
Other investments	<i>13</i>	<b>94,404,207</b>	–
		<u><b>913,065,266</b></u>	<u>874,489,148</u>
<b>Current Assets</b>			
Trade and other receivables	<i>14</i>	<b>689,690</b>	242,925
Deposits and prepayments		<b>159,075</b>	244,563
Advances to associates		<b>91,665,363</b>	131,740,352
Pledged bank deposits		–	9,410,364
Bank balances and cash		<b>1,259,921</b>	1,994,439
		<u><b>93,774,049</b></u>	<u>143,632,643</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>15</i>	<b>811,298</b>	1,457,545
Rental deposits received		<b>1,182,310</b>	1,309,728
Amount due to an associate		–	5,199,145
Advance from a shareholder		<b>28,593,325</b>	32,085,189
Advance from a director		<b>18,507,564</b>	18,054,478
Tax liabilities		<b>2,728,002</b>	1,755,690
Bank overdrafts, unsecured		<b>259,335</b>	176,564
		<u><b>52,081,834</b></u>	<u>60,038,339</u>
<b>Net Current Assets</b>		<u><b>41,692,215</b></u>	<u>83,594,304</u>
		<u><b>954,757,481</b></u>	<u>958,083,452</u>
<b>Capital and Reserves</b>			
Share capital	<i>16</i>	<b>268,538,301</b>	268,538,301
Reserves	<i>17</i>	<b>686,219,180</b>	689,545,151
		<u><b>954,757,481</b></u>	<u>958,083,452</u>

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

	<b>(unaudited)</b> <b>HK\$</b>
Share of reserve movements of associates	
Increase in investment property revaluation reserve	<b>52,547</b>
Decrease in securities revaluation reserve	<b>(1,083,692)</b>
Net losses not recognised in the income statement	<b>(1,031,145)</b>
Net loss for the period	<b>(2,294,826)</b>
Total recognised losses	<b><u>(3,325,971)</u></b>

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

	<b>(unaudited)</b> <b>HK\$</b>
Net cash inflow from operating activities	<b>589,085</b>
Net cash outflow from returns on investments and servicing of finance	<b>(1,429,858)</b>
Net cashflow from taxation	–
Net cash inflow from investing activities	<b>3,062,262</b>
Net cash inflow before financing	<b>2,221,489</b>
Net cash outflow from financing	<b>(3,038,778)</b>
Decrease in cash and cash equivalents	<b>(817,289)</b>
Cash and cash equivalents at 1st January, 2001	<b>1,817,875</b>
Cash and cash equivalents at 30th June, 2001	<b><u>1,000,586</u></b>
Analysis of the balance of cash and cash equivalents	
Bank balances and cash	<b>1,259,921</b>
Bank overdrafts	<b>(259,335)</b>
	<b><u>1,000,586</u></b>

## 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 investment properties and other investments.

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, include the following accounting policy which is applicable to the current period:

##### *Other investments*

Other investments, which are not held for trading purposes, are measured at reporting dates at fair value. Unrealised gains and losses are dealt with in equity until the investment 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.

##### **Adoption of new/revised SSAPs**

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 comprises property rentals and interest income.

The following is an analysis of the Group's turnover and contribution from ordinary activities:

	<b>Turnover</b>		<b>Contribution</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30.6.2001</b>	30.6.2000	<b>30.6.2001</b>	30.6.2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
By activities:				
Property letting	<b>3,372,163</b>	3,442,633	<b>3,193,826</b>	3,329,169
Treasury operations				
– interest income	<b>3,951,923</b>	5,366,710	<b>3,951,922</b>	5,366,710
Development of internet portal sites	–	–	–	(1,959,805)
	<b><u>7,324,086</u></b>	<b><u>8,809,343</u></b>	<b><u>7,145,748</u></b>	<b><u>6,736,074</u></b>
Less: Unallocated administrative and operating expenses			<b><u>(1,569,271)</u></b>	<b><u>(1,445,314)</u></b>
Profit from operations			<b><u>5,576,477</u></b>	<b><u>5,290,760</u></b>

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. OTHER REVENUE

	<b>Six months ended</b>	
	<b>30.6.2001</b>	30.6.2000
	<i>HK\$</i>	<i>HK\$</i>
Property management fees	<b>24,757</b>	–
Rental deposit forfeited	<b>106,000</b>	–
Exchange gains	<b>3,114</b>	654,616
	<b><u>133,871</u></b>	<b><u>654,616</u></b>

### 5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging depreciation on property, plant and equipment of HK\$83,785 (30.6.2000: HK\$83,695).

## 6. FINANCE COSTS

	Six months ended	
	30.6.2001	30.6.2000
	HK\$	HK\$
Interest on:		
Bank loans and overdrafts	–	80,722
Other borrowings wholly repayable within five years	1,429,858	1,780,001
	<u>1,429,858</u>	<u>1,860,723</u>

## 7. 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\$9,090,000 (30.6.2000: HK\$2,298,000), representing losses on investments in securities sustained by associates.

## 8. TAXATION

	Six months ended	
	30.6.2001	30.6.2000
	HK\$	HK\$
Hong Kong Profits Tax charge (credit):		
Company and subsidiaries	972,312	786,212
Associates	232,996	(265,236)
	<u>1,205,308</u>	<u>520,976</u>

Hong Kong Profits Tax is calculated at 16% (30.6.2000: 16%) of the estimated assessable profit for the period.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss/earnings per share is based on the net loss for the period of HK\$2,294,826 (30.6.2000: net profit of HK\$3,449,318) and on 537,076,602 (30.6.2000: 537,076,602) 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.

## 10. INVESTMENT PROPERTIES

	30.6.2001	31.12.2000
	HK\$	HK\$
VALUATION		
At beginning and end of the period/year	<u>266,500,000</u>	<u>266,500,000</u>

Substantially all the investment properties are rented out under operating leases.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Furniture, fixtures, equipment and motor vehicles</b>
	<i>HK\$</i>
<b>THE GROUP</b>	
<b>COST</b>	
At 1st January, 2001	1,499,784
Additions	20,450
	<hr/>
At 30th June, 2001	1,520,234
	<hr/>
<b>DEPRECIATION</b>	
At 1st January, 2001	884,709
Provided for the period	83,785
	<hr/>
At 30th June, 2001	968,494
	<hr/>
<b>NET BOOK VALUE</b>	
At 30th June, 2001	551,740
	<hr/> <hr/>
At 31st December, 2000	615,075
	<hr/> <hr/>

## 12. INTERESTS IN ASSOCIATES

	<b>30.6.2001</b>	31.12.2000
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets (deficits) of associates		
Listed	<b>551,535,567</b>	559,295,360
Unlisted	<b>(107,998)</b>	(103,035)
	<hr/>	<hr/>
Amounts due from associates	<b>551,427,569</b>	559,192,325
	<b>181,750</b>	48,181,748
	<hr/>	<hr/>
	<b>551,609,319</b>	607,374,073
	<hr/> <hr/>	<hr/> <hr/>
Market value of shares listed in Hong Kong	<b>67,967,074</b>	79,031,481
	<hr/> <hr/>	<hr/> <hr/>

### 13. OTHER INVESTMENTS

	<b>30.6.2001</b>	31.12.2000
	<i>HK\$</i>	<i>HK\$</i>
Listed investments		
Convertible bonds and warrants listed in Hong Kong	<u><b>94,404,207</b></u>	<u>–</u>

The convertible bonds and warrants represent approximately 1,573,403,000 units of 5% mandatory convertible bonds (the “Bonds”) and 629,361,000 units of warrants (the “Warrants”) issued by an associate, Magnificent Estates Limited (“Magnificent”). Each unit of the Bonds entitles the holder to convert the Bonds into shares of Magnificent at the conversion price of HK\$0.06 per share during the period from 14th May, 2001 to 14th November, 2002 (the “Maturity Date”). On the Maturity Date, any units of the Bonds not redeemed, repaid or converted will be mandatorily converted into shares of Magnificent at the conversion price.

If the Bonds held by the Group were fully converted into shares of Magnificent at 30th June, 2001, the Group’s shareholding in Magnificent would have been increased to approximately 65% at that date.

Each unit of the Warrants entitles the holder to subscribe for shares of Magnificent at the subscription price of HK\$0.035 per share, subject to adjustment, during the three months period commencing from the Maturity Date.

No trading of the Bonds and Warrants had been transacted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the period from the date of commencement of listing of the Bonds and Warrants on the Stock Exchange to 30th June, 2001. Accordingly, the market values of the Bonds and the Warrants are not available. The directors consider that the fair values of the Bonds and the Warrants are approximately equal to their carrying value.

### 14. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of not more than 30 days to its customers.

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

	<b>30.6.2001</b>	31.12.2000
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	<b>649,949</b>	192,380
31 – 60 days	–	39,726
Over 60 days	<u><b>39,741</b></u>	<u>10,819</u>
	<u><b>689,690</b></u>	<u>242,925</u>

### 15. TRADE AND OTHER PAYABLES

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

	<b>30.6.2001</b>	31.12.2000
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	<b>285,042</b>	272,388
Over 60 days	<u><b>526,256</b></u>	<u>1,185,157</u>
	<u><b>811,298</b></u>	<u>1,457,545</u>



## 16. 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>640,000,000</u>	<u>320,000,000</u>
Issued and fully paid		
At 31st December, 2000 and 30th June, 2001	<u>537,076,602</u>	<u>268,538,301</u>

At 30th June, 2001, 82,139,510 (31.12.2000: 79,427,510) ordinary shares of the Company were held by the Group's associates.

### Employees' share option scheme

No options were granted or exercised during the period. The share options previously granted to a director to subscribe for 5,374,691 shares of the Company at a subscription price of HK\$1.11 per share exercisable during the period from 20th October, 1993 to 19th October, 2003 remained outstanding at the end of the period.

## 17. RESERVES

	Share premium HK\$	Capital reserve HK\$	Investment property revaluation reserve HK\$	Other property revaluation reserve HK\$	Securities revaluation reserve HK\$	General reserve HK\$	Retained profits HK\$	Total HK\$
At 1st January, 2000	118,799,739	15,006,519	211,915,471	88,126,504	(13,071,572)	263,000	265,517,162	686,556,823
Share of reserve movements of associates	-	-	-	(1,168,557)	(5,808,535)	-	-	(6,977,092)
Profit for the year	-	-	-	-	-	-	9,965,420	9,965,420
At 31st December, 2000	<u>118,799,739</u>	<u>15,006,519</u>	<u>211,915,471</u>	<u>86,957,947</u>	<u>(18,880,107)</u>	<u>263,000</u>	<u>275,482,582</u>	<u>689,545,151</u>
Share of reserve movements of associates	-	-	52,547	-	(1,083,692)	-	-	(1,031,145)
Loss for the period	-	-	-	-	-	-	(2,294,826)	(2,294,826)
At 30th June, 2001	<u>118,799,739</u>	<u>15,006,519</u>	<u>211,968,018</u>	<u>86,957,947</u>	<u>(19,963,799)</u>	<u>263,000</u>	<u>273,187,756</u>	<u>686,219,180</u>

## 18. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

- (a) A property owned by a subsidiary of the Company was let to Magnificent at the mutually agreed rental of HK\$100,000 per month. Net rental received from Magnificent for the period amounted to HK\$540,000 (30.6.2000: HK\$540,000).
- (b) During the period, a substantial shareholder, Shun Ho Resources Holdings Limited (“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 payable 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, such advances amounted to HK\$28,593,325 (31.12.2000: HK\$32,085,189) remained outstanding.
- (c) During the period, a director of the Company made unsecured short-term advances to the Group which carry interest chargeable at HIBOR plus 1% to 2% per annum. The advances are repayable on demand. Interest payable by the Group on such advances amounted to HK\$584,429 (30.6.2000: HK\$667,161) in respect of the period. At the balance sheet date, such advances amounted to HK\$18,507,564 (31.12.2000: HK\$18,054,478) remained outstanding.
- (d) During the period, the Company made advances to an associate, Magnificent, and its subsidiary, which are unsecured and carry interest chargeable at HIBOR plus 1% per annum. At the balance sheet date, such advances amounted to HK\$91,665,363 (31.12.2000: HK\$179,740,352) remained outstanding. Interest receivable by the Company on such advances amounted to a total of HK\$4,583,415 (30.6.2000: HK\$5,834,739) in respect of the period, of which HK\$1,264,476 (30.6.2000: HK\$1,482,719), representing the Group’s attributable share of interest capitalised by a subsidiary of Magnificent, was not recognised in the income statement.
- (e) During the period, the Group subscribed for approximately 1,573,403,000 units of 5% mandatory convertible bonds and 629,361,000 units of warrants issued by Magnificent at an aggregate consideration of approximately HK\$94,404,000. Details of the terms of the bonds and the warrants are disclosed in note 13.
- (f) During the period, administrative expenses amounted to HK\$984,533 (30.6.2000: HK\$1,058,107) were payable by the Group to Magnificent for services provided by Magnificent on a cost reimbursement basis.