



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

Interim Report 2002

二零零二年中期報告

## **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, 2002 amounted to HK\$8,058,000.

The results of the Group for the six months ended 30th June, 2002 and its financial position as at that date are set out in the condensed financial statements on pages 6 to 16 of this report.

### **INTERIM DIVIDEND**

The Board has decided not to declare an interim dividend for the six months ended 30th June, 2002 (30/6/2001: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial period under review, the Company’s major subsidiaries, Shun Ho Technology Holdings Limited and Magnificent Estates Limited (“Magnificent”), continued with the operations of property investment, property development and trading, property leasing, investment in and operation of hotel and service apartment and investment holding. The increase in profit was mainly due to Magnificent’s disposal of a commercial/residential building.

Operating income from Magnificent’s hotel business improved moderately as a result of the continued process of cost control as the hotel business environment remained highly competitive. The average occupancy rate of the hotel for the period under review was approximately 87% at reduced room rates.

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

As to property development, superstructural works of Magnificent’s 34 town houses project at Ho Chung has been contracted to commence during July 2002 and the development is expected to be completed in a year’s time.

During the second quarter of 2002, Magnificent has disposed of in strata-title sales most of the Aspen Court at No 46, High Street, Hong Kong which is a 26-storey commercial/residential building. The disposal has realised a net surplus of approximately HK\$25,000,000.

In Shanghai, the PRC, Magnificent’s development project at Xizang Road has been completed and the business of short-term leasing of the units has commenced since April 2002.

As at 30th June, 2002, gearing of the Group in terms of total debt to equity ratio was approximately 15.1%. The Group’s external bank borrowings, which were utilised to the extent of HK\$184 million at 30th June, 2002, are secured by the pledge of certain properties, listing securities and other assets of the Group with an aggregate carrying value of approximately HK\$783 million. These bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar or U.S. dollar. Accordingly, the exchange risk of the Group is minimal.

There were no material acquisitions and disposals of subsidiaries and associates during the period.

There were no material changes in the contingent liabilities of the Group since 31st December, 2001.

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

On the whole, the Board expects that the business environment in Hong Kong remains difficult and dependent on the recovery prospects of the world's major economies. As such, 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 RIGHTS TO SUBSCRIBE FOR SHARES**

At 30th June, 2002, the beneficial interests of the directors and their associates in the issued ordinary shares, debt securities and rights to subscribe for 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:

	<b>Personal Interests</b>	<b>Corporate Interests</b>
Shares of HK\$0.50 each in the Company		
– William Cheng Kai Man	6,087,375 shares	210,521,450 shares <i>(Note 1)</i>
– Jim Wong Tin Yue	103,687 shares	–
– Albert Hui Wing Ho	45,787 shares	–
Shares of HK\$0.50 each in Shun Ho Technology		
– William Cheng Kai Man	–	350,628,682 shares <i>(Note 1)</i>
Shares of HK\$0.01 each in Magnificent		
– William Cheng Kai Man	–	1,710,629,620 shares <i>(Note 1)</i>
Convertible bonds of Magnificent		
– William Cheng Kai Man	–	HK\$86,604,175 <i>(Note 2)</i>
Warrants of Magnificent		
– William Cheng Kai Man	–	629,361,166 units <i>(Note 2)</i>

*Notes:*

- At 30th June, 2002, Trillion Resources Limited, a company controlled by Mr. William Cheng Kai Man, beneficially held 146,930,150 ordinary shares in the Company and Shun Ho Group Limited, a subsidiary of Trillion Resources Limited, beneficially held 988,600 ordinary shares in the Company, representing approximately 48.3% and 0.3% of its issued share capital respectively. Mr. William Cheng Kai Man also had personal interests in 6,087,375 ordinary shares in the Company, representing 2% of its issued share capital. The Company and its subsidiaries in turn beneficially held 266,889,172 ordinary shares in Shun Ho Technology, representing approximately 49.7% of its issued share capital. As at that date, Shun Ho Technology and its subsidiary beneficially held 1,710,629,620 ordinary shares in Magnificent Estates Limited ("Magnificent"), representing approximately 51.0% of its issued share capital. Therefore, Mr. William Cheng Kai Man was deemed to have interests in the shares of the Company, its subsidiaries and associates.*

*At 30th June, 2002, a subsidiary of Magnificent beneficially held a total of 62,602,700 and 83,739,510 ordinary shares in the Company and Shun Ho Technology, representing approximately 20.6% and 15.6% interests in their issued share capital respectively.*

- Shun Ho Technology together with a subsidiary beneficially held convertible bonds of Magnificent with an aggregate principal amount of HK\$86,604,175 and 629,361,166 units of warrants of Magnificent, representing approximately 97.4% of the total principal amount of convertible bonds and 97.6% of the total units of warrants respectively outstanding at 30th June, 2002.*

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

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

Name	Number of shares issuable under options	Date of grant	Exercisable period		Subscription
			From	To	price per share HK\$
Shun Ho Technology					
William Cheng Kai Man	5,374,691	19/10/1993	20/10/1993	19/10/2003	1.11
Magnificent					
William Cheng Kai Man	43,799,524	29/6/1994	30/6/1994	29/6/2004	0.20

Share options may be exercised at any time after the date upon which the share option is deemed to be granted and accepted ("the Commencement Date") and ending with the date which is ten years after the Commencement Date.

There are no participants with share options granted in excess of the individual limit. No share options were granted, exercised, cancelled or lapsed during the period.

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, 2002, none of the directors or their associates, had any interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their associates or their spouses or children under the age of 18, had any right to subscribe for the equity or debt securities of the Company, or had exercised any such right during the period.

## **SUBSTANTIAL SHAREHOLDERS**

At 30th June, 2002, 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	62,602,700
Trillion Resources Limited ( <i>Note 1</i> )	210,521,450
Madam Liza Lee Pui Ling ( <i>Note 2</i> )	216,608,825

### *Notes:*

1. Trillion Resources Limited beneficially held 146,930,150 shares in the Company and was taken to be interested in 988,600 shares held by Shun Ho Group Limited and 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, the spouse of Mr. William Cheng Kai Man who is a director of the Company, was taken to be interested in 216,608,825 shares in 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 per cent or more of the Company's issued share capital at 30th June, 2002.

## **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, 19th September, 2002

## INDEPENDENT REVIEW REPORT

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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 6 to 16.

#### **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 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 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, 2002.

#### **DELOITTE TOUCHE TOHMATSU**

*Certified Public Accountants*

Hong Kong, 19th September, 2002

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

		<b>Six months ended</b>	
	<i>NOTES</i>	<b>30.6.2002</b>	30.6.2001
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<b>140,934</b>	849
Cost of sales		<b>(77,029)</b>	–
Other service costs		<b>(14,661)</b>	–
		<b>49,244</b>	849
Other operating income		<b>576</b>	–
Unrealised holding loss on trading securities		<b>(219)</b>	–
Administrative expenses		<b>(12,779)</b>	(399)
Profit from operations	4	<b>36,822</b>	450
Finance costs	5	<b>(2,699)</b>	(221)
Share of results of associates	6	<b>1,698</b>	(541)
Profit (loss) from ordinary activities before taxation		<b>35,821</b>	(312)
Taxation	7	<b>(5,972)</b>	(644)
Profit (loss) before minority interests		<b>29,849</b>	(956)
Minority interests		<b>(21,791)</b>	–
Net profit (loss) for the period		<b>8,058</b>	(956)
		<b>HK cents</b>	<b>HK cents</b>
Earnings (loss) per share	8		
Basic		<b>3.3</b>	(0.3)

**CONDENSED CONSOLIDATED BALANCE SHEET**  
AT 30TH JUNE, 2002

	<i>NOTES</i>	<b>30.6.2002</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2001 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Investment properties	9	<b>700,600</b>	700,600
Property, plant and equipment	9	<b>642,295</b>	633,238
Property under development		<b>106,192</b>	105,733
Interests in associates		<b>93,840</b>	97,127
Investments in securities		<b>7,916</b>	7,759
Negative goodwill		<b>(16,121)</b>	(16,121)
		<hr/> <b>1,534,722</b>	<hr/> 1,528,336
<b>Current Assets</b>			
Inventories		<b>482</b>	404
Properties for sale		<b>6,250</b>	70,653
Investments in securities		<b>30,679</b>	28,627
Trade and other receivables	10	<b>94,445</b>	3,697
Deposits and prepayments		<b>1,726</b>	2,097
Pledged bank deposits		<b>3,629</b>	5,617
Bank balances and cash		<b>16,903</b>	6,141
		<hr/> <b>154,114</b>	<hr/> 117,236
<b>Current Liabilities</b>			
Trade and other payables	11	<b>17,938</b>	7,442
Rental and other deposits received		<b>6,867</b>	6,656
Advance from a director	17(a)	<b>3,475</b>	52,286
Tax liabilities		<b>6,754</b>	1,526
Bank loans, secured	12	<b>183,777</b>	136,116
Bank overdrafts, unsecured		<b>36</b>	1,414
		<hr/> <b>218,847</b>	<hr/> 205,440
<b>Net Current Liabilities</b>		<hr/> <b>(64,733)</b>	<hr/> (88,204)
		<hr/> <b>1,469,989</b>	<hr/> <b>1,440,132</b>
<b>Capital and Reserves</b>			
Share capital	13	<b>152,184</b>	152,184
Reserves		<b>315,568</b>	307,510
		<hr/> <b>467,752</b>	<hr/> 459,694
<b>Minority Interests</b>		<b>999,943</b>	978,152
<b>Non-current Liabilities</b>			
Convertible bonds	14	<b>2,294</b>	2,286
		<hr/> <b>1,469,989</b>	<hr/> <b>1,440,132</b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Securities revaluation reserve <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Own shares held by a subsidiary <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2001	152,184	20,068	99,280	40,844	(9,334)	3,869	184,186	-	491,097
Net gain (loss) not recognised in income statement									
Share of reserve movements of associates	-	-	26	-	(536)	-	-	-	(510)
Net loss for the period	-	-	-	-	-	-	(956)	-	(956)
At 30th June, 2001	<u>152,184</u>	<u>20,068</u>	<u>99,306</u>	<u>40,844</u>	<u>(9,870)</u>	<u>3,869</u>	<u>183,230</u>	<u>-</u>	<u>489,631</u>
At 1st January, 2002	152,184	20,068	96,713	27,269	(12,252)	3,869	184,677	(12,834)	459,694
Net profit for the period	-	-	-	-	-	-	8,058	-	8,058
At 30th June, 2002	<u>152,184</u>	<u>20,068</u>	<u>96,713</u>	<u>27,269</u>	<u>(12,252)</u>	<u>3,869</u>	<u>192,735</u>	<u>(12,834)</u>	<u>467,752</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

	<b>Six months ended</b>	
	<b>30.6.2002</b>	30.6.2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited and restated)
Net cash from (used in) operating activities	<b>22,134</b>	(3,657)
Net cash (used in) from investing activities	<b>(8,844)</b>	3,270
Net cash (used in) from financing	<b>(1,151)</b>	221
Net increase (decrease) in cash and cash equivalents	<b>12,139</b>	(166)
Cash and cash equivalents at beginning of the period	<b>4,728</b>	(32)
Cash and cash equivalents at end of the period	<b><u>16,867</u></b>	<u>(198)</u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<b>16,903</b>	1
Bank overdrafts	<b>(36)</b>	(199)
	<b><u>16,867</u></b>	<u>(198)</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

### 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 (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

Prior to becoming a subsidiary of the Company on 22nd October, 2001, the results of Magnificent Estates Limited (“Magnificent”), a former associate, were accounted for by the Group using the equity method based on its published financial information made up to 30th September and 31st March. Magnificent has changed its accounting date to 31st December in order to be coterminous with that of the Company. The condensed income statement incorporates the consolidated results of Magnificent for the six months ended 30th June, 2002 on a consolidation basis. The comparative amounts for the six months ended 30th June, 2001 shown in the income statement, statement of changes in equity, cash flow statement and related notes include the results of Magnificent for the six months period to 31st March, 2001 on an equity basis.

On consolidation of Magnificent, 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 value of the shares in the Company held by the said subsidiary of Magnificent at the date when Magnificent became a subsidiary of the Company. The convertible bonds issued by Magnificent held by the Company’s subsidiaries were regarded as intra-group indebtedness and have been eliminated on consolidation.

### 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, 2001.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 11 (Revised)	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

The adoption of these SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement. Apart from a provision for employees’ entitlement to annual leave of approximately HK\$1.9 million made in the current period following the adoption of SSAP 34, the adoption of these new and revised SSAPs had no effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. SEGMENT INFORMATION

#### Business segment

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

Hospitality services	–	investment in and operation of hotel and service apartment
Property investment	–	property letting
Property development and trading	–	development and trading of properties
Securities investment and trading	–	investment in and trading of listed securities
Other operations	–	treasury and other activities

Segment information about these businesses is presented below:

#### Six months ended 30th June, 2002

	Hospitality services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER						
External revenue	<u>17,939</u>	<u>14,112</u>	<u>106,997</u>	<u>1,261</u>	<u>625</u>	<u>140,934</u>
RESULTS						
Segment results	<u>3,686</u>	<u>13,436</u>	<u>31,458</u>	<u>212</u>	<u>540</u>	49,332
Unallocated corporate expenses						<u>(12,510)</u>
Profit from operations						<u>36,822</u>

#### Six months ended 30th June, 2001

	Securities investment and trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER			
External revenue	<u>–</u>	<u>849</u>	<u>849</u>
RESULTS			
Segment results	<u>(2)</u>	<u>849</u>	847
Unallocated corporate expenses			<u>(397)</u>
Profit from operations			<u>450</u>

#### Geographical segment

Substantially all the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and contribution to operating results for both periods presented were derived from Hong Kong.

#### 4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	2,085	–
Interest income	(2,125)	(849)
Dividend from listed investments	(277)	–
	<u>2,085</u>	<u>–</u>

#### 5. FINANCE COSTS

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts, and other loans wholly repayable within five years	3,974	221
Convertible bonds	57	–
Bond issue expenses amortised	8	–
	<u>3,974</u>	<u>221</u>
Total borrowing costs	4,039	221
Less: Amount capitalised in properties under development	(1,340)	–
	<u>2,699</u>	<u>221</u>

#### 6. SHARE OF RESULTS OF ASSOCIATES

Included in the Group's attributable share of results of associates in respect of the six months ended 30th June, 2001 is a loss on investments in securities of HK\$4,494,000 sustained by the Group's associates.

#### 7. TAXATION

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Company and subsidiaries	5,787	48
Associates	185	596
	<u>5,972</u>	<u>644</u>

Hong Kong Profits Tax is calculated at 16% (30.6.2001: 16%) 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\$8,058,000 (30.6.2001: net loss of HK\$956,000) and on 241,766,050 (30.6.2001: 304,368,750) shares in issue during the period. The number of shares adopted in the calculation of the earnings per share for the current period has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share is not presented as the exercise prices of the warrants and share options issued/granted by the Company's listed subsidiaries, Shun Ho Technology Holdings Limited ("Shun Ho Technology") and Magnificent, are higher than the average market prices for shares for both periods presented and the conversion of the convertible bonds issued by Magnificent would be anti-dilutive for the current period, and would result in a decrease in the loss per share in respect of the six months ended 30th June, 2001.

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

The directors have considered the carrying amount of the Group's investment properties and hotel properties at 30th June, 2002 and are of the opinion that the carrying amounts do not differ significantly from the open market value of these properties at the balance sheet date. Accordingly, no surplus or deficit has been recognised in the current period.

During the six months end 30th June, 2002, the Group acquired property, plant and equipment at a total cost of HK\$11,126,000 and the development of the Group's property in Shanghai, the People's Republic of China, at a carrying amount of HK\$89,430,000 was completed.

## 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, 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>30.6.2002</b>	31.12.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>93,444</b>	2,494
31 – 60 days	<b>710</b>	554
Over 60 days	<b>291</b>	649
	<hr/> <b>94,445</b> <hr/>	<hr/> 3,697 <hr/>

## 11. TRADE AND OTHER PAYABLES

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

	<b>30.6.2002</b>	31.12.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>13,033</b>	2,868
31 – 60 days	<b>168</b>	296
Over 60 days	<b>4,737</b>	4,278
	<hr/> <b>17,938</b> <hr/>	<hr/> 7,442 <hr/>

## 12. BANK LOANS

During the six months ended 30th June, 2002, the Group repaid bank loans amounted to HK\$10,000,000 and obtained new bank loans of HK\$57,661,000. The new bank loans, which bear interest at market rates and are repayable within one year, were used to finance the development of properties and for settlement of the advances from related parties.

## 13. SHARE CAPITAL

	30.6.2002 & 31.12.2001	
	Number of shares '000	Nominal value HK\$ '000
Ordinary shares of HK\$0.5 each:		
Authorised	400,000	200,000
Issued and fully paid	304,369	152,184

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

At 30th June, 2002, 62,602,700 (31.12.2001: 62,602,700) issued shares of the Company with an aggregate nominal value of 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.

### Share options

#### (a) *Shun Ho Technology*

No options were granted, exercised, cancelled or lapsed during both periods presented. The share options previously granted by Shun Ho Technology to its director to subscribe for 5,374,691 ordinary shares in Shun Ho Technology 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 30th June, 2002.

#### (b) *Magnificent*

No options were granted, exercised, cancelled or lapsed during both periods presented. The share options previously granted by Magnificent to its director to subscribe for 43,799,524 ordinary shares in Magnificent at the subscription price of HK\$0.2 per share, exercisable during the period from 30th June, 1994 to 29th June, 2004, remained outstanding at 30th June, 2002.

### Warrants

At 30th June, 2002, a total of 644,713,356 units of warrants issued by Magnificent in the prior year were outstanding. The warrants, which carry an aggregate subscription right of HK\$22,564,967, entitle the holders thereof to subscribe for shares in Magnificent at the subscription price of HK\$0.035 per share, subject to adjustment, during the three months period commencing from 14th November, 2002. At 30th June, 2002, approximately 629,361,000 units of warrants were held by the Group.

#### 14. CONVERTIBLE BONDS

	<b>30.6.2002</b> <b>HK\$'000</b>	31.12.2001 <i>HK\$'000</i>
Unsecured convertible bonds	<b>2,300</b>	2,300
Less: Unamortised bond issue expenses	<b>(6)</b>	(14)
	<b><u>2,294</u></b>	<u>2,286</u>

At 30th June, 2002, a total of 1,481,736,051 units of convertible bonds (the "Bonds"), which were issued by Magnificent in the prior year, were outstanding. The Bonds, which carry interest at 5% per annum payable quarterly in arrears with the last payment due on 14th November, 2002, entitle the holders thereof 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"). Magnificent may redeem all or some of the Bonds at any time prior to the Maturity Date, subject to giving not less than 30 days nor more than 60 days of advance notice, at 120 per cent of their principal amount together with accrued interest. 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.

At 30th June, 2002, 1,443,402,917 units of the Bonds with an aggregate principal value of approximately HK\$86,604,000 (31.12.2001: HK\$86,604,000) which were held by the Company's subsidiaries have been eliminated on consolidation.

#### 15. CAPITAL COMMITMENTS

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

	<b>30.6.2002</b> <b>HK\$'000</b>	31.12.2001 <i>HK\$'000</i>
Contracted for but not provided in the financial statements	<u>–</u>	<u>10,142</u>
Authorised but not contracted for	<b><u>38,398</u></b>	<u>1,853</u>

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

At the balance sheet date,

- (a) the bank loan facilities of Magnificent group of companies were utilised to the extent of approximately HK\$184 million (31.12.2001: HK\$136 million), which were secured by guarantees issued by Magnificent amounted to approximately HK\$254 million (31.12.2001: HK\$164 million) and certain assets and income of its subsidiaries as follows:
- properties together with related assets with an aggregate carrying book value of approximately HK\$721 million (31.12.2001: HK\$554 million);
  - pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$168 million (31.12.2001: HK\$177 million);
  - assignment of rentals and hotel revenue; and
  - pledge of listed securities and bank deposits with an aggregate carrying value of approximately HK\$58 million (31.12.2001: HK\$55 million) and HK\$3.6 million (31.12.2001: HK\$5.6 million) respectively.



- (b) certain employees of Magnificent group of companies had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 30th June, 2002 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$2,116,000 (31.12.2001: HK\$2,250,000). No provision has been made in the financial statements in respect of such long service payments.

## 17. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

- (a) During the period, a director of the Company, Mr. William Cheng Kai Man, made unsecured short-term advances to the Group which carry interest chargeable at rates ranging from bank fixed deposit rates to Hong Kong Inter-bank Offer Rate plus 2% per annum. The advances are repayable on demand. Interest payable by the Group on such advances amounted to HK\$524,000 in respect of the period (30.6.2001: HK\$1,302,000 of which HK\$1,080,000 was accounted for by Shun Ho Technology and Magnificent prior to becoming subsidiaries of the Company).
- (b) During the period, 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 (31.12.2001: HK\$60,000,000) carried interest chargeable at the rate of 5% per annum with the remaining balance interest free. Interest receivable by Claymont on such advances amounted to HK\$1,500,000 in respect of the period (30.6.2001: HK\$2,025,000 which was accounted for by Magnificent prior to becoming a subsidiary of the Company). At the balance sheet date, advances due from the associate amounted to HK\$89,086,000 (31.12.2001: HK\$91,636,000) remained outstanding.