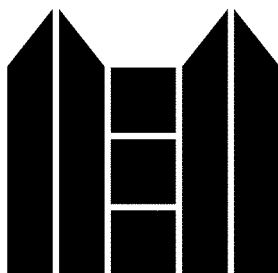


**MAGNIFICENT ESTATES LIMITED**  
**( 華 大 地 產 投 資 有 限 公 司 )**



2000/2001 Interim Report  
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# **MANAGEMENT COMMENTARY**

## **INTERIM RESULTS**

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) is pleased to announce the unaudited consolidated profit after taxation of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2000 amounted to approximately HK\$5,988,000.

The results of the Group for the six months ended 30th September, 2000 and its financial position as at that date are set out in the condensed financial statements on page 4 to page 14 of this report.

## **INTERIM DIVIDEND**

The Board has decided not to declare an interim dividend for the six months ended 30th September, 2000 (1999: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial period under review, the Group continued with its operations of property investment, property leasing and hotel investment. The profit attributable to shareholders increased due to the moderate improvement in the income from property rental and securities investment.

Operating income from the Group’s hotel business continued to recover although the hotel business environment remained highly competitive. The average occupancy rate of the hotel was approximately 83 per cent at increased room rates for the period under review.

As to property leasing, it is recognized that the rental market of both luxury residential and commercial properties in Hong Kong has been gradually improving after bottoming out last year. The Group’s investment properties which include the Shun Ho Tower, California Plaza, the Pak Sha Wan Pier and Chateau Vivienne remained fully leased. Also in September 2000, the Group has added to its luxury property portfolio the House No. 23, Las Pinadas at Shouson Hill for a consideration of HK\$26 million.

At Ho Chung, Sai Kung, N.T., the 34 town houses development is currently in the process of contractor selection. Also, subsequent to the financial period under review, the land lease modification for the Pak Sha Wan Pier has been approved in October 2000 for an increase in the G.F.A. of approximately 15,000 sq.ft. for a premium of HK\$5 million.

Generally, the Board expects the business operating environment in Hong Kong remains difficult despite that the Hong Kong economy appears to be improving. Given the prevailing market outlook, the Group will continue its policy of low gearing with external borrowings at less than 10% of the Group’s net asset value and will consider capital expansion to support further expansion of its investment portfolio.

## **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 AND OPTIONS

### (a) Shares

At 30th September, 2000, 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 held			
	Personal interests	Family interests	Corporate interests	Other interests
Shares of HK\$0.01 each in the Company				
— William Cheng Kai Man	—	—	1,580,629,620	—
			(Note)	

*Note: At 30th September, 2000, Shun Ho Group Limited, a company controlled by Mr. William Cheng Kai Man, beneficially held 147,918,750 ordinary shares in Shun Ho Resources Holdings Limited ("Shun Ho Resources"), representing approximately 48.6% of its issued share capital. Mr. William Cheng Kai Man also had personal interests in 6,087,375 ordinary shares in Shun Ho Resources, representing approximately 2% of its issued capital. Shun Ho Resources in turn beneficially held 265,720,172 ordinary shares in Shun Ho Technology Holdings Limited ("Shun Ho Technology"), representing approximately 49.5% of its issued share capital. As at that date, Shun Ho Technology beneficially held 1,580,629,620 ordinary shares in the Company. Therefore, Mr. William Cheng Kai Man was deemed to have interests in the shares of the Company, its subsidiaries and associates.*

At 30th September, 2000, the subsidiaries of the Company beneficially held a total of 62,602,700 and 77,915,010 ordinary shares in Shun Ho Resources and Shun Ho Technology respectively, representing approximately 20.6% and 14.5% interests in their issued share capital respectively.

### (b) Options

No options to subscribe for shares in the Company were granted or exercised during the period.

Share options previously granted to a director, which were outstanding at 30th September, 2000, were as follows:

Name	Number of shares issuable under options	Exercisable period		Subscription price per share HK\$
		From	To	
William Cheng Kai Man*	11,000,000	31/10/1990	30/10/2000	0.20
William Cheng Kai Man	43,799,524	30/6/1994	29/6/2004	0.20

\* The share options have lapsed on 31st October, 2000.

Other than as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, at 30th September, 2000, 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 associates 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 September, 2000, 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>
Shun Ho Technology Holdings Limited	1,580,629,620
Shun Ho Resources Holdings Limited ( <i>Note 1</i> )	1,580,629,620
Shun Ho Group Limited ( <i>Note 1</i> )	1,580,629,620
Madam Liza Lee Pui Ling ( <i>Note 2</i> )	1,580,629,620

### *Notes:*

1. Shun Ho Resources Holdings Limited and Shun Ho Group Limited were taken to be interested in 1,580,629,620 shares in the Company by virtue of their direct or indirect interests in Shun Ho Technology Holdings Limited in accordance with Section 8(2) of the SDI Ordinance.
2. Madam Liza Lee Pui Ling, the spouse of Mr. William Cheng Kai Man, a director of the Company, was taken to be interested in 1,580,629,620 shares in 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 September, 2000.

## **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 accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 19th December, 2000

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2000*

		Six months ended 30th September,	
		2000	1999
	Notes	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	2	150,581	28,977
Cost of securities and inventories sold		(115,377)	(1,603)
Other service costs		<u>(15,245)</u>	<u>(12,522)</u>
		<b>19,959</b>	14,852
Other revenue	3	2,478	1,053
(Losses) gains on investments in securities	4	(1,224)	1,632
Administrative expenses		<u>(10,086)</u>	<u>(12,094)</u>
Profit from operations		<b>11,127</b>	5,443
Finance costs		(5,808)	(3,013)
Share of results of associates		<u>628</u>	<u>556</u>
Profit from ordinary activities before taxation	2	<b>5,947</b>	2,986
Taxation	6	<u>41</u>	<u>(253)</u>
Profit attributable to shareholders		<u><b>5,988</b></u>	<u>2,733</u>
		<b>HK cent</b>	HK cent
Earnings per share	7		
Basic		<u><b>0.186</b></u>	<u>0.085</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2000

		30th September, 2000 (unaudited) HK\$'000	31st March, 2000 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current Assets</b>			
Investment properties	8	500,141	473,000
Property, plant and equipment		606,140	609,383
Properties under development		91,348	87,701
Interests in associates		94,438	93,179
Investments in securities	9	48,137	75,746
		<u>1,340,204</u>	<u>1,339,009</u>
<b>Current Assets</b>			
Inventories		444	401
Investments in securities	9	116,510	85,789
Trade and other receivables	10	4,268	4,102
Deposits and prepayments		1,900	1,408
Trade balances due from shareholders		9,004	7,821
Bank balances and cash		2,001	10,253
		<u>134,127</u>	<u>109,774</u>
<b>Current Liabilities</b>			
Trade and other payables	11	6,041	4,880
Rental and other deposits received		5,394	5,568
Advance from a shareholder		177,054	171,149
Advance from a director		22,145	21,492
Trade balance due to an associate		163	175
Taxation payable		644	1,222
Bank loans, secured		112,661	68,510
Bank overdrafts, unsecured		1,489	2,385
		<u>325,591</u>	<u>275,381</u>
<b>Net Current Liabilities</b>		<u>(191,464)</u>	<u>(165,607)</u>
		<u>1,148,740</u>	<u>1,173,402</u>
<b>Capital and Reserves</b>			
Share capital	12	32,235	32,235
Reserves		1,116,429	1,141,091
		1,148,664	1,173,326
<b>Non-current Liabilities</b>			
Deferred taxation		76	76
		<u>1,148,740</u>	<u>1,173,402</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED  
GAINS AND LOSSES**

*For the six months ended 30th September, 2000*

	<b>Six months ended 30th September, 2000 (unaudited) HK\$'000</b>
<b>Revaluation decrease on other securities</b>	<b>(30,650)</b>
<b>Profit attributable to shareholders</b>	<b><u>5,988</u></b>
<b>Net recognised losses</b>	<b><u><u>(24,662)</u></u></b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th September, 2000*

	<b>Six months ended 30th September, 2000 (unaudited) HK\$'000</b>
Net cash outflow from operating activities	(21,558)
Net cash outflow from returns on investments and servicing of finance	(8,810)
Net cash outflow on taxation	(618)
Net cash outflow from investing activities	<u>(27,079)</u>
Net cash outflow before financing	(58,065)
Net cash inflow from financing	<u>30,945</u>
Decrease in cash and cash equivalents	(27,120)
Cash and cash equivalents at beginning of the period	<u>(19,082)</u>
Cash and cash equivalents at end of the period	<u><u>(46,202)</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2000*

### 1. 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 condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial statements relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

### 2. TURNOVER AND CONTRIBUTION

The turnover and contribution of the Group for the six months ended 30th September, 2000 and those of the corresponding six months period ended 30th September, 1999, analysed by activities, are as follows:

	Turnover		Contribution to profit from ordinary activities before taxation	
	2000 HK\$’000	1999 HK\$’000	2000 HK\$’000	1999 HK\$’000
Hotel operation and related services	17,361	15,565	1,300	1,443
Property rental	10,409	9,589	9,863	9,586
Securities trading	118,249	—	3,010	1,632
Treasury operations				
— Interest income	3,476	3,641	3,476	3,641
Investment holding	1,086	182	1,086	182
Sale of property, plant and equipment	—	—	1,498	—
Others	—	—	980	1,053
	<u>150,581</u>	<u>28,977</u>	<u>21,213</u>	17,537
Less: Unallocated operating and administrative expenses			(10,086)	(12,094)
Finance costs			(5,808)	(3,013)
Add: Share of results of associates			<u>628</u>	<u>556</u>
			<u>5,947</u>	<u>2,986</u>

Substantially all the activities of the Group are based in Hong Kong and more than 90% of the Group’s turnover and profit from ordinary activities for the period were derived from Hong Kong.

### 3. OTHER REVENUE

Included in other revenue is gain on disposal of property, plant and equipment of HK\$1,498,000 (1999: Nil).

### 4. (LOSSES) GAINS ON INVESTMENTS IN SECURITIES

	Six months ended 30th September,	
	2000	1999
	HK\$'000	HK\$'000
Unrealised holding (loss) gain on trading securities	(2,755)	1,632
Write back of provision for impairment loss on other securities	<u>1,531</u>	<u>—</u>
	<u><u>(1,224)</u></u>	<u><u>1,632</u></u>

### 5. DEPRECIATION

Depreciation on the Group's property, plant and equipment charged to the income statement in respect of the period amounted to approximately HK\$2,133,000 (1999: HK\$2,481,000).

### 6. TAXATION

	Six months ended 30th September,	
	2000	1999
	HK\$'000	HK\$'000
The (charge) credit comprises:		
Hong Kong Profits Tax		
Company and subsidiaries	(40)	(304)
Associates	<u>81</u>	<u>51</u>
	<u><u>41</u></u>	<u><u>(253)</u></u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profits for the period.

### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of approximately HK\$5,988,000 (1999: HK\$2,733,000) and on 3,223,566,785 (1999: 3,223,566,785) shares in issue.

Diluted earnings per share is not presented because the exercise price of the Company's share options was higher than the average market prices for shares for both periods presented.

## 8. INVESTMENT PROPERTIES

During the period, the Group acquired an investment property in Hong Kong at the cost of approximately HK\$27 million.

## 9. INVESTMENTS IN SECURITIES

	Other securities (non-current)		Trading securities (current)	
	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Equity securities				
Listed				
— In Hong Kong	45,931	73,911	93,831	62,936
— Outside Hong Kong	1,426	1,055	—	—
Unlisted	780	780	—	—
Debt securities				
Floating rate note listed outside Hong Kong	—	—	18,484	18,758
Bonds listed in Hong Kong	—	—	4,195	4,095
	<u>48,137</u>	<u>75,746</u>	<u>116,510</u>	<u>85,789</u>
Market value of				
Equity securities				
Listed				
— In Hong Kong	45,931	73,911	93,831	62,936
— Outside Hong Kong	1,426	1,055	—	—
Debt securities				
Floating rate note listed outside Hong Kong	—	—	18,484	18,758
Bonds listed in Hong Kong	—	—	4,195	4,095
	<u>47,357</u>	<u>74,966</u>	<u>116,510</u>	<u>85,789</u>

## 10. TRADE AND OTHER RECEIVABLES

Except for an average credit period of 30 to 60 days granted to travel agencies and customers of hotel operations, the Group does not allow any credit period to its other customers.

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

	<b>30th September, 2000 HK\$'000</b>	31st March, 2000 HK\$'000
0-30 days	2,848	2,316
31-60 days	747	913
Over 60 days	<u>673</u>	<u>873</u>
	<b><u><u>4,268</u></u></b>	<b><u><u>4,102</u></u></b>

## 11. TRADE AND OTHER PAYABLES

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

	<b>30th September, 2000 HK\$'000</b>	31st March, 2000 HK\$'000
0-30 days	2,663	2,386
31-60 days	400	267
Over 60 days	<u>2,978</u>	<u>2,227</u>
	<b><u><u>6,041</u></u></b>	<b><u><u>4,880</u></u></b>

## 12. SHARE CAPITAL

	Number of ordinary shares of		Nominal value
	HK\$0.2 each	HK\$0.01 each	HK\$'000
Authorised:			
At 1st April, 1999	4,000,000,000	—	800,000
Reduction of par value	<u>(4,000,000,000)</u>	<u>80,000,000,000</u>	<u>—</u>
At 31st March, 2000 and 30th September, 2000	<u>—</u>	<u>80,000,000,000</u>	<u>800,000</u>
Issued and fully paid:			
At 1st April, 1999	3,223,566,785	—	644,713
Reduction of par value	<u>(3,223,566,785)</u>	<u>3,223,566,785</u>	<u>(612,478)</u>
At 31st March, 2000 and 30th September, 2000	<u>—</u>	<u>3,223,566,785</u>	<u>32,235</u>

Pursuant to a special resolution passed at the extraordinary general meeting held on 15th July, 1999, the nominal value of all the issued and unissued shares in the Company was reduced by HK\$0.19 from HK\$0.2 to HK\$0.01 with effect from 22nd September, 1999, and the authorised share capital of the Company was increased to restore the original amount of HK\$800,000,000 by the creation of an additional 76,000,000,000 ordinary shares of HK\$0.01 each in the Company. A credit arising from the reduction of the par value of the shares in issue amounted to HK\$612,477,689 has been transferred to the special capital reserve.

Save as aforementioned, there was no change in the share capital of the Company for both periods presented.

## 13. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding commitments not provided for in the financial statements as follows:

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Property development expenditure:		
Contracted for	23,212	26,186
Authorised but not contracted for	<u>—</u>	<u>363</u>
	<u>23,212</u>	<u>26,549</u>
Purchase of a property, contracted for	<u>5,220</u>	<u>—</u>

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

At the balance sheet date, the bank loan facilities of certain subsidiaries, which were utilised to the extent of approximately HK\$113 million (31st March, 2000: HK\$69 million), were secured by the following:

- (a) guarantees issued by the Company amounted to approximately HK\$120 million (31st March, 2000: HK\$120 million);
- (b) certain properties of the Group together with related assets with an aggregate carrying net book value of approximately HK\$543 million (31st March, 2000: HK\$540 million);
- (c) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying value of approximately HK\$201 million (31st March, 2000: HK\$239 million);
- (d) assignment of the rentals and hotel revenue of a subsidiary; and
- (e) listed securities with an aggregate carrying value of approximately HK\$159 million (31st March, 2000: HK\$130 million) held by subsidiaries.

#### **15. LONG SERVICE PAYMENTS**

At 30th September, 2000, certain employees of the Group had completed the required number of years of service under the 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 September, 2000 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$2,620,000 (31st March, 2000: HK\$2,181,000). No provision has been made in the financial statements in respect of such long service payments.

#### **16. RELATED PARTY TRANSACTIONS**

The Group had the following transactions with related parties:

- (a) The property owned by a subsidiary of the Company's substantial shareholder, Shun Ho Technology Holdings Limited ("Shun Ho Technology"), was leased to the Group at the agreed rental of HK\$90,000 per month. Net rental paid by the Group for the period amounted to HK\$520,000 (1999: HK\$520,000).
- (b) During the period, Shun Ho Technology made unsecured short-term advances to the Company which carried interest based on Hong Kong Inter-bank Offer Rate plus a specified margin and are repayable on demand. Interest payable by the Company on such advances amounted to HK\$6,345,000 (1999: HK\$2,804,000) in respect of the period. At the balance sheet date, such advances amounted to HK\$177,054,000 (31st March, 2000: HK\$171,149,000) remained outstanding.

- (c) During the period, Mr. William Cheng Kai Man made unsecured short-term advances to the Group which carried interest chargeable at bank fixed deposit rates and are repayable on demand. Interest payable by the Group on such advances amounted to HK\$652,000 (1999: HK\$576,000) in respect of the period. At the balance sheet date, such advances amounted to HK\$22,145,000 (31st March, 2000: HK\$21,492,000) remained outstanding.
- (d) The trade balance due by the shareholders, Shun Ho Technology and Shun Ho Resources Holdings Limited (“Shun Ho Resources”), to the Group at the balance sheet date was HK\$9,004,000 (31st March, 2000: HK\$7,821,000) which are unsecured, interest free and repayable on demand.
- (e) A subsidiary of the Company, Claymont Services Limited (“Claymont”), made unsecured advances to its associate, Lucky Country Development Limited, which carried no fixed repayment terms. At the balance sheet date, such advances amounted to HK\$91,711,000 (31st March, 2000: HK\$90,061,000) remained outstanding. The advances to the extent of HK\$60,000,000 (31st March, 2000: HK\$60,000,000) carried interest chargeable at 8.5% per annum and the remaining balance was interest free. Interest receivable by Claymont on such advances amounted to HK\$2,550,000 (1999: HK\$2,975,000) in respect of the period.
- (f) During the period, the Group provided certain administrative facilities to Shun Ho Technology and Shun Ho Resources, for which fees of HK\$905,000 (1999: HK\$978,000) and HK\$75,000 (1999: HK\$75,000), calculated on a cost reimbursement basis, were respectively charged.

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.