

Chairman's Statement

I present to the shareholders my report on the results and operations of Magnificent Estates Limited (the "Company") and its subsidiaries (together the "Group") for the nine months ended 31st December, 2001.

RESULTS

The Group's audited consolidated loss after taxation for the nine months ended 31st December, 2001 amounted to HK\$10,443,353 (year ended 31/3/2001: loss of HK\$5,156,545).

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the nine months ended 31st December, 2001 (year ended 31/3/2001: Nil).

BOOK CLOSURE

The Register of Members of the Company will be closed from Monday, 27th May, 2002 to Friday, 31st May, 2002, both dates inclusive, during which period no share transfers will be effected. In order to determine the identity of members who are entitled to attend and vote at the Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 24th May, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2001, Shun Ho Technology Holdings Limited ("Shun Ho Technology"), the Group's major shareholder, increased its shareholding in the Company to 51.01 per cent so that the Company became a subsidiary company of Shun Ho Technology. As a result, the financial year-end date of the Group has been changed to 31st December to be in line with Shun Ho Technology.

During the nine month financial period ended 31st December, 2001, the Group continued with its operations of property investment and development, property leasing, hotel investment and investment holding. The loss for the period was mainly due to the revaluation decrease of approximately HK\$10.7 million in investment properties and partly due to the loss of approximately HK\$14.7 million incurred from the disposal of certain blue-chip stocks subsequent to the "September 11" event. The decrease in the Group's turnover was mainly due to the decrease in turnover from securities trading and investment.

Operating income from the Group's hotel declined due to weakened market conditions after September 2001 but the situation was moderated by the continued process of cost reduction. The average occupancy rate of the hotel for the period

under review was approximately 82 per cent at reduced room rates.

As to property leasing, the Group's investment properties maintained an overall occupancy of approximately 95% during the financial period under review.

As regards property development, foundation works have been completed at the Group's 34 town houses project at Ho Chung, Sai Kung, N.T. and it is expected that the development will be completed by the end of 2002.

In October 2001, the Group completed the purchase of the Aspen Court at No. 46, High Street, Hong Kong. The property is a 26-storey commercial/residential building with a gross floor area of approximately 40,214 sq.ft. Subsequent to the financial period under review, part of the property has been disposed of in strata-title sales which are expected to be completed in July 2002.

As to capital expansion, the Company issued HK\$96.7 million of 5% mandatorily convertible bonds in May 2001, the proceeds of which have been applied towards the reduction of the Group's current liabilities. Such bonds will be fully converted into equity upon their maturity in November 2002 to strengthen the Group's capital base. As at 31st December, 2001, gearing of the Group in terms of external bank borrowings was around 12.9%. The Group's external bank borrowings, which are secured by pledging certain properties, listed securities and other assets of the Group, carry interest at floating interest rates and are mainly denominated in Hong Kong dollars or U. S. dollars. Accordingly, the exchange risk of the Group is minimal.

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

Details of charges on the Group's assets and contingent liabilities are contained in the financial statements included in this annual report.

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

Generally, the Board expects the business environment in Hong Kong remains difficult awaiting the recovery of the world's major economies. As such, the Group will continue to follow a cautious approach in its business development.

William CHENG Kai Man
Chairman

Hong Kong, 16th April, 2002