

# Directors' Report

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The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 21 and 22 to the financial statements respectively.

The Group's turnover and contribution to operating profit for the year ended 31st December, 2000, analysed by principal activity and geographical markets, are set out in note 3 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 12.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

## SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates at 31st December, 2000 are set out in notes 21 and 22 to the financial statements respectively.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 16 to the financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the Group's management discussion and analysis is set out in the Chairman's Statement on page 5 of the Annual Report.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 30.

## FIXED ASSETS

Details of the fixed assets of the Group and the Company are set out in note 10 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2000 are set out on page 31.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 15 to the financial statements. There was no movement in the Company's share capital during the year.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## BORROWINGS AND INTEREST CAPITALISED

The Group's borrowings repayable within one year or on demand are classified as current liabilities in the financial statements.

No interest was capitalised by the Group during the year.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

Mr. William Cheng Kai Man  
Mr. Jim Wong Tin Yue  
Mr. Albert Hui Wing Ho

### Independent non-executive directors

Ms. Mabel Lui Fung Mei Yee  
Mr. Vincent Kwok Chi Sun

### Other non-executive directors

Mr. David Cheng Kai Ho  
Mr. Jonathan Cheng Kai Chun (resigned on 25th April, 2000)

In accordance with the provisions of the Company's Articles of Association, Mr. William Cheng Kai Man and Ms. Mabel Lui Fung Mei Yee shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## Directors' Report (Continued)

### DIRECTORS (Continued)

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for each of the non-executive director is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

### BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the directors are shown on page 6 of the Annual Report.

### SENIOR MANAGEMENT

The executive directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the executive directors are regarded as members of the Group's senior management.

### EMOLUMENTS OF DIRECTORS

Details of directors' emoluments are set out in note 6 to the financial statements.

### RETIREMENT AND PENSION PLAN

No formal retirement or pension plan for employees has been established by the Group. With effect from 1st December, 2000, an associate of the Group has joined the mandatory provident fund scheme ("MPF Scheme") of which the Group's employees are members. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the associate in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution under this scheme is available to reduce the contribution payable in future years. Contributions by the associate for the Group's employees under the MPF Scheme will be reimbursed by the Group on a cost reimbursement basis. No retirement or pension charge was paid by the Group in respect of the year.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

During the year, other than earning interest income on advances and bank deposits and incurring overhead expenses, the Group has not derived any material turnover from operations or made any purchases.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

#### (a) Shares

At 31st December, 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\$0.5 each in the Company                                  |                                |                  |                           |                 |
| — William Cheng Kai Man  | 6,087,375                      | —                | 210,521,450<br>(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         |                                |                  |                           |                 |
| — William Cheng Kai Man  | —                              | —                | 345,147,682<br>(Note 2)   | —               |
| Shares of HK\$0.01 each in Magnificent Estates Limited ("Magnificent") |                                |                  |                           |                 |
| — William Cheng Kai Man  | —                              | —                | 1,580,629,620<br>(Note 3) | —               |

#### 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 79,427,510 ordinary shares in an associate, Shun Ho Technology Holdings Limited ("Shun Ho Technology", formerly known as Shun Ho Construction (Holdings) Limited), representing approximately 49.5% and 14.8% interests in its issued share capital respectively.
3. Shun Ho Technology together with its subsidiaries beneficially held 1,580,629,620 ordinary shares in Magnificent, representing approximately 49.0% interest in its issued share capital.

## Directors' Report (Continued)

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)

#### (b) Options

No options to subscribe for shares in the Company were granted or exercised during the year. Share options previously granted by Magnificent to Mr. William Cheng Kai Man for the subscription of 11,000,000 ordinary shares in Magnificent at an subscription price of HK\$0.2 each was lapsed during the year. Share options previously granted to the Company's directors and their associates, which were outstanding at 31st December, 2000, were as follows:

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

Details regarding the share option scheme of the Company are set out in note 15 to the financial statements.

Other than as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, at 31st December, 2000, 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 year.

#### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group had transactions with a director, Mr. William Cheng Kai Man, and certain related parties, details of which are set out in note 20 to the financial statements.

In the opinion of the directors, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

Save as aforementioned, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

#### SUBSTANTIAL SHAREHOLDERS

At 31st December, 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:

| Name                             | Number of shares |
|----------------------------------|------------------|
| Mercury Fast Limited             | 62,602,700       |
| Shun Ho Group Limited (Note 1)   | 210,521,450      |
| Madam Liza Lee Pui Ling (Note 2) | 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 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 31st December, 2000.

#### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **Directors' Report** *(Continued)*

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### **AUDITORS**

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**William CHENG Kai Man**  
*Chairman of the Meeting*

Hong Kong, 18th April, 2001