

## Directors' Report

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The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's subsidiaries and associates are set out in notes 30 and 31 to the financial statements respectively.

The Group's turnover and contribution from ordinary activities for the year ended 31st March, 2001 analysed by activities and geographical location are set out in note 3 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 11.

The directors do not recommend the payment of a dividend in respect of the year.

### RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 20 to the financial statements.

### 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 38 of the Annual Report.

### INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at an aggregate cost of approximately HK\$38,193,000.

Details of these and other movements during the year in the investment properties of the Group are shown in note 11 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred property development expenditure amounted to approximately HK\$9,932,000, and acquired other property, plant and equipment at a cost of approximately HK\$514,000.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

### MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2001 are set out on page 39 of the Annual Report.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 19 to the financial statements. There were no movements in the share capital of the Company for the year.

### PURCHASE, SALE OR REDEMPTION OF 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 securities.

### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$3,000.

### 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

#### Non-executive directors

Ms. Mabel Lui Fung Mei Yee\*

Mr. Vincent Kwok Chi Sun\*

Mr. David Cheng Kai Ho

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

\* *independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, Mr. Jim Wong Tin Yue and Mr. Vincent Kwok Chi Sun, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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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 directors 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 directors are shown on page 5 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 AND HIGHEST PAID EMPLOYEES**

Details of directors' emoluments and highest paid employees are set out in note 7 to the financial statements.

### **RETIREMENT AND PENSION PLAN**

The Group had previously established a defined contribution pension scheme for its hotel operation employees. Contributions to the pension scheme were suspended in May 1999. The assets of the scheme were held separately from those of the Group in funds under the control of trustees. The employees were entitled to 100% of the employer's contributions and accrued interests thereon after 10 years of complete service, or at a reduced scale from 90% to 20% after completion of 9 to 2 years' service. The Group's contributions made for employees who have left the scheme prior to their interests being fully vested were forfeited and could be used by the Group to reduce the existing level of contributions. As at 31st March, 2001, the Group had available forfeited contribution of approximately HK\$180,000.

With effect from 1st December, 2000, the Group has joined the mandatory provident fund scheme ("MPF Scheme"). 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 Group 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 Group's future contribution. The Group's contribution for employees under the MPF Scheme charged to the income statement for the year amounted to approximately HK\$290,000.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31st March, 2001, the five largest customers of the Group accounted for less than 30% of the Group's turnover for the year. The five largest suppliers of the Group accounted for approximately 37% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 11%.

None of the directors of the Company, their associates or any shareholders which to the knowledge of the directors of the Company owns more than 5% of the Company's issued share capital, had a beneficial interest in the Group's five largest suppliers.

## Directors' Report (Continued)

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

#### (a) Shares

At 31st March, 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 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 31st March, 2001, 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 share 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 and its subsidiary beneficially held 1,580,629,620 ordinary shares in the Company. Mr. William Cheng Kai Man was deemed to have interests in the shares of the Company, its subsidiaries and associates.

At 31st March, 2001, the subsidiaries of the Company beneficially held a total of 62,602,700 and 82,139,510 ordinary shares in Shun Ho Resources and Shun Ho Technology respectively, representing approximately 20.6% and 15.3% interests in their issued share capital respectively.

#### (b) Options

No options to subscribe for shares in the Company were granted or exercised during the year. Options previously granted to Mr. William Cheng Kai Man to subscribe for a total of 11,000,000 ordinary shares in the Company at a subscription price of HK\$0.2 per share lapsed during the year.

Share options previously granted to a director, which were outstanding at 31st March, 2001, were as follows:

Name	Number of shares issuable under options granted	Exercisable period		Subscription price per share HK\$
		From	To	
William Cheng Kai Man	43,799,524	30.6.1994	29.6.2004	0.20

Details regarding the share option scheme of the Company are set out in note 19(b) 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 March, 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 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 year.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or 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 certain related parties, details of which are set out in note 29 to the financial statements.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man, Mr. Jim Wong Tin Yue and Mr. Albert Hui Wing Ho were interested, directly or indirectly, in the share capital of Shun Ho Resources and Shun Ho Technology.

In the opinion of the directors, those transactions were carried out in the ordinary course of the Group's business on normal commercial terms or better.

## Directors' Report (Continued)

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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 March, 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:

Name	Number of shares
Shun Ho Technology Holdings Limited	1,580,629,620
Shun Ho Resources Holdings Limited (Note 1)	1,580,629,620
Shun Ho Group Limited (Note 1)	1,580,629,620
Madam Liza Lee Pui Ling (Note 2)	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 and 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 per cent or more of the Company's issued share capital at 31st March, 2001.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 32 to the financial statements.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 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.

### AUDITORS

The financial statements for the preceding three years were audited by Deloitte Touche Tohmatsu.

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*

Hong Kong, 20th July, 2001