

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year are the operation of department stores and property investment. The analyses of the turnover and contribution to profit from operations attributable to the principal activities of the Group are set out in Notes 2 and 5 on the accounts respectively.

ACCOUNTS

The profit of the Group for the year ended 31st December, 2000 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 23 to 65.

No interim dividend was paid for the year ended 31st December, 2000. An interim dividend of 4 cents per share was paid in respect of 1999. The directors now recommend that a final dividend of 9 cents per share (1999: 4 cents per share) in respect of the year ended 31st December, 2000 be payable to shareholders on the Register of Members on 22nd June, 2001. Dividend warrants will be sent to shareholders on 3rd July, 2001.

AUDIT COMMITTEE

The composition of the Audit Committee is shown on page 3. The Audit Committee is a sub-committee to the Board and the principal duties of the committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has met three times from 28th April, 2000 up to the date of this report to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

RESERVES

Movements in reserves during the year are set out in Note 27 on the accounts.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 19.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$38,870 (1999: HK\$41,579).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 59 to 64.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 12 on the accounts.

REPORT OF THE DIRECTORS

(Continued)

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on pages 20 and 21.

BORROWINGS

The maturity profile of borrowings, banking facilities and assets pledged are set out in Note 23 on the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively in the year.

PENSION SCHEMES

Particulars of pension schemes of the Group are set out in Note 11 on the accounts.

DIRECTORS

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

Mr. Karl C. Kwok (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman)

Dr. Bill Kwok

Mr. Mark Kwok

Dr. Kwok Man Cho

Dr. Philip Kwok, J.P.

Miss Adriana Chan

Miss Maria Tam Wai Chu, GBS, J.P. (Independent non-executive director)

Sir Oswald Victor Cheung, SC, CBE, LL.D., D.Soc.Sc., J.P. (Independent non-executive director)

Mr. David W. Gairns, CA, FHKSA, J.P. (Independent non-executive director, appointed on 1st July, 2000)

Mr. Ignatius Wan Chiu Wong, LL.B. (Independent non-executive director, appointed on 1st July, 2000)

In accordance with Bye-Law 102(B), Messrs. David W. Gairns and Ignatius Wan Chiu Wong retire from the Board and, being eligible, offer themselves for re-election.

In accordance with Bye-Law 99, Dr. Kwok Man Cho, Dr. Philip Kwok and Dr. Bill Kwok retire from the Board by rotation and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

(Continued)

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGERS

Brief biographical details in respect of Directors of the Company and senior managers of the Group are set out on pages 4 to 6.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2000 except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at Annual General Meetings in accordance with Bye-Law 99.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of directors' emoluments, five highest paid individuals' emoluments and employees' emoluments are set out in Note 10 on the accounts.

DIRECTORS' INTERESTS IN CONTRACTS

- (1) Save as mentioned in (3)(a) and (3)(b) below, there was no contract of significance to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.
- (2) Save as mentioned in (3)(a) and (3)(b) below, there was no arrangement to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party whose objects were, or one of whose objects was, to enable directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate subsisted at the end of the year or at any time during the year.
- (3)
 - (a)
 - (i) Wing On International Holdings Limited ("WOIH"), being the holding company of the Company, on 23rd February, 2000 made an offer to repurchase its shares at HK\$16 per share in cash from its 16.29% independent shareholders ("the Share Repurchase") and proposed the voluntary withdrawal of the listing of its shares from The Stock Exchange of Hong Kong Limited. The Share Repurchase and the delisting proposal were approved by 99.94% of the independent shareholders of WOIH at the special general meeting of WOIH held on 10th March, 2000. Prior to the Share Repurchase as at 18th February, 2000, Wing On Corporate Management (BVI) Limited ("WOCM (BVI)"), Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok, Mr. Mark Kwok, Dr. Kwok Man Cho, Mr. Kwok Man Chung, Dr. Philip Kwok, Wing On Corporate Management Limited ("WOCM"), Hotel Fortuna Limited, Kee Wai Investment Company, Limited ("Kee Wai") and their respective associates (together the "Majority Shareholders") held approximately 83.71% of the entire issue share capital of WOIH. The Share Repurchase increased the percentage interest of the Majority Shareholders in the issued share capital of WOIH to 96.67%.
 - (ii)
 - (1) Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok, Mr. Mark Kwok, Dr. Kwok Man Cho and Dr. Philip Kwok, directors of the Company were Majority Shareholders and they were therefore indirectly interested in the Share Repurchase which indirectly increased their percentage holdings in WOIH.

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN CONTRACTS (Continued)

- (2) Dr. Kwok Man Cho and Dr. Philip Kwok, directors of the Company were also shareholders of WOCM (BVI) (which was one of the Majority Shareholders). Furthermore, WOCM (which was also one of the Majority Shareholders) was a wholly owned subsidiary of WOCM (BVI). As such, Dr. Kwok Man Cho and Dr. Philip Kwok were indirectly interested in the Share Repurchase which increased each of WOCM (BVI)'s and WOCM's percentage holdings in WOIH.
- (3) Mr Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok and Mr. Mark Kwok, directors of the Company were also shareholders of Kee Wai (which was also one of the Majority Shareholders). Furthermore, WOCM (BVI) (which was one of the Majority Shareholders) was a subsidiary of Kee Wai and that WOCM (which was also one of the Majority Shareholders) was a wholly owned subsidiary of WOCM (BVI). As such, Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok and Mr. Mark Kwok were indirectly interested in the Share Repurchase which increased each of Kee Wai's, WOCM (BVI)'s and WOCM's percentage holdings in WOIH.
- (b) Hotel Fortuna Limited entered into a sale and purchase agreement on 17th April, 2000 to sell 121,000 shares in WOIH to WOCM (BVI) at HK\$16 per share totalling HK\$1,936,000. Hotel Fortuna Limited was a wholly owned subsidiary of the Company and WOCM (BVI) was a substantial shareholder of the Company. As referred to in paragraphs (3)(a)(ii)(2) and (3) above, Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok, Mr. Mark Kwok, Dr. Kwok Man Cho and Dr. Philip Kwok, directors of the Company had beneficial interest, directly or indirectly, in WOCM(BVI). As such, they were indirectly interested in the sale and purchase of the 121,000 shares in WOIH as aforesaid. Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok, Mr. Mark Kwok and Dr. Kwok Man Cho, directors of the Company were also directors of Hotel Fortuna Limited and the aforesaid sale and purchase agreement constitutes a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Since the value of the transaction is less than 3% of the net tangible assets of the Company, shareholders' approval is not required for this transaction under the Listing Rules.

For full details of the above transaction, please refer to the official announcement made by the Company at the relevant time.

- (4) There is no service contract with any director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2000, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which have been notified to the Company were as follows:

(a) The Company

| | Number of ordinary shares | | | | Total |
|--------------|---------------------------|------------------|---------------------|-----------------|-----------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Karl C. Kwok | 320,710 | 90,000 | – | – | 410,710 |
| Lester Kwok | 489,140 | 50,000 | – | – | 539,140 |
| Bill Kwok | 798,388 | 335,000 | 255,000 (Note 1) | – | 1,388,388 |
| Mark Kwok | 397,000 | 40,000 | 10,000 (Note 2) | – | 447,000 |
| Kwok Man Cho | 425,400 | 116,500 | – | – | 541,900 |
| Philip Kwok | 150,000 | – | – | – | 150,000 |
| Adriana Chan | 101,000 | – | – | – | 101,000 |

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a company which beneficially owns 10,000 ordinary shares in the Company.

(b) Kee Wai Investment Company, Limited

| | Number of ordinary shares | | | | Total |
|--------------|---------------------------|------------------|---------------------|-----------------|--------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Karl C. Kwok | 11,250 | – | – | – | 11,250 |
| Lester Kwok | 11,250 | – | – | – | 11,250 |
| Bill Kwok | 11,250 | – | – | – | 11,250 |
| Mark Kwok | 11,250 | – | – | – | 11,250 |

Note: The above directors together control approximately 78.95% of the voting rights in Kee Wai Investment Company, Limited.

(c) Wing On Corporate Management (BVI) Limited

| | Number of ordinary shares | | | | Total |
|--------------|---------------------------|------------------|---------------------|-----------------|---------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Kwok Man Cho | 124,177 | – | – | – | 124,177 |
| Philip Kwok | 58,000 | 32,750 | – | – | 90,750 |

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(d) The Wing On Fire & Marine Insurance Company Limited

| | Number of ordinary shares | | | | Total |
|--------------|---------------------------|------------------|---------------------|-----------------|-------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Karl C. Kwok | 324 | – | – | – | 324 |
| Lester Kwok | 216 | – | – | – | 216 |
| Bill Kwok | 216 | – | – | – | 216 |
| Mark Kwok | 216 | – | – | – | 216 |
| Kwok Man Cho | 432 | – | – | – | 432 |
| Philip Kwok | 324 | – | – | – | 324 |

In addition to the above, certain directors hold shares in subsidiaries on trust and as nominee for their intermediary holding companies.

Save as disclosed herein, none of the directors of the Company has any interest in the share capital of the Company or any associated corporation (as defined above) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to section 28 of the SDI Ordinance (including interests which are deemed or taken to have under section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, according to the information available to the Company, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company:

| Name | Number of ordinary shares held |
|---|--------------------------------|
| (i) Wing On International Holdings Limited | 180,581,138 |
| (ii) Wing On Corporate Management (BVI) Limited | 180,581,138 |
| (iii) Kee Wai Investment Company, Limited | 180,581,138 |

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated or included in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the above named parties are deemed to be interested in the relevant shareholdings under the SDI Ordinance.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

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

REPORT OF THE DIRECTORS

(Continued)

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no restriction against such rights under Bermuda Law.

AUDITORS

A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 9th April, 2001.