

## DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December 2000.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

During the year, the Group acquired a material part of the operating assets and assumed certain liabilities relating to the power tools business of Ryobi Motor Products Corp. and Ryobi America Corporation and the entire equity interest in Ryobi Canada Inc. and in Ryobi Taiwan Corporation (collectively referred to as the "Ryobi Limited's North American Power Tools Business") for an aggregate consideration of approximately HK\$680,861,000 to enhance the power tools business of the Group.

The principal activities of the principal subsidiaries and associates are set out in notes 36 and 37 to the financial statements, respectively.

### 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 35.

An interim dividend of 4.0 cents per share amounting to HK\$22,547,923 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of 6.0 cents per share to the shareholders on the register of members on 22nd June 2001, amounting to HK\$33,679,010, and the retention of the remaining profit for the year after the payment of the final dividend amounted to HK\$134,303,775.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 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 90.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment amounting to HK\$407 million resulting from the acquisition of the Ryobi Limited's Power Tools Business and spent approximately HK\$73 million on moulds and tooling and approximately HK\$36 million on plant and machinery. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

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

## DIRECTORS' REPORT

### DIRECTORS

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

*Executive directors:*

Mr. Horst Julius Pudwill, *Chairman and Chief Executive Officer*

Mr. Roy Chi Ping Chung, *Managing Director*

Mr. Kin Wah Chan

Mr. Chi Chung Chan

Dr. Akio Urakami

*Non-executive directors:*

Mr. Susumu Yoshikawa

Mr. Jianhua Liu (appointed on 31st March 2000)

Mr. Yingjie Dong (resigned on 31st March 2000)

Mr. Hideyuki Eto

*Independent non-executive directors:*

Mr. Vincent Ting Kau Cheung

Mr. Joel Arthur Schleicher

In accordance with Articles 94 and 103 of the Company's Articles of Association, Messrs. Roy Chi Ping Chung, Chi Chung Chan and Joel Arthur Schleicher retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the directors 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.

## DIRECTORS' REPORT

### TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The term of office for each of the non-executive directors and independent non-executive directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS

#### (i) Shares

At 31st December 2000, the interests of the directors, the chief executive and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Number of shares of the Company			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Horst Julius Pudwill	12,852,000	380,000	111,329,897(a)	—
Mr. Roy Chi Ping Chung	47,554,974	68,000	18,537,515(b)	—
Mr. Kin Wah Chan	—	—	—	—
Mr. Chi Chung Chan	—	—	—	—
Dr. Akio Urakami	—	—	—	—
Mr. Susumu Yoshikawa	—	—	—	—
Mr. Jianhua Liu	—	—	—	—
Mr. Yingjie Dong	—	—	—	—
Mr. Hideyuki Eto	—	—	—	—
Mr. Vincent Ting Kau Cheung	960,000	—	—	—
Mr. Joel Arthur Schleicher	100,000	—	—	—

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS (Cont'd)

(i) Shares (Cont'd)

(a) These shares were held by the following companies in which Mr. Horst Julius Pudwill has a beneficial interest:

	<b>No. of shares</b>
Sunning Inc.	92,792,382
Cordless Industries Company Limited*	18,537,515
	<hr/>
	111,329,897
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(b) These shares were held by Cordless Industries Company Limited\* in which Mr. Roy Chi Ping Chung has a beneficial interest.

\* Cordless Industries Company Limited is jointly owned by Messrs. Horst Julius Pudwill and Roy Chi Ping Chung.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS (Cont'd)

#### (ii) Options

The following directors were granted share options to subscribe for shares in the Company:

Name of director	Date share options granted	Share options balance at 1.1.2000	No. of share options exercised in the year	No. of share options granted in the year	Share options balance at 31.12.2000	Exercise price HK\$
Mr. Horst Julius Pudwill	24.6.1994	2,000,000	—	—	2,000,000	1.2140
	7.4.1998	3,800,000	—	—	3,800,000	1.7360
	28.1.1999	1,000,000	—	—	1,000,000	1.0864
	27.11.1999	300,000	—	—	300,000	1.0800
Mr. Roy Chi Ping Chung	24.6.1994	1,000,000	—	—	1,000,000	1.2140
	24.1.1997	1,000,000	—	—	1,000,000	0.9136
	3.2.1999	1,000,000	—	—	1,000,000	1.0896
	5.6.2000	—	—	1,000,000	1,000,000	1.0144
Mr. Kin Wah Chan	30.3.1999	1,200,000	1,200,000	—	—	1.0640
	4.1.2000	—	—	1,200,000	1,200,000	1.0000
Mr. Chi Chung Chan	4.2.1994	500,000	—	—	500,000	1.2800
	30.3.1999	500,000	—	—	500,000	1.0640
	4.1.2000	—	—	500,000	500,000	1.0000
	5.6.2000	—	—	500,000	500,000	1.0144
Mr. Hideyuki Eto	26.6.2000	—	—	100,000	100,000	1.4768

Details of the Company's Share Option Scheme are set out in note 24 to the financial statements.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS (Cont'd)**

Save as disclosed above and other than certain nominee shares in the subsidiaries and associates held in trust for the Group by certain directors, at 31st December 2000, none of the directors or chief executive, 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 chief executive, 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.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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.

### **ARRANGEMENTS 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.

### **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of certain directors, the Company has been notified that Ryobi Limited-Japan, through nominee, beneficially owned 13.41% of the Company's issued share capital as at 31st December 2000.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no persons as having an interest of 10% or more of the issued share capital of the Company as at 31st December 2000.

### CONNECTED TRANSACTIONS

During the year, Ryobi Limited-Japan, a substantial shareholder of the Company, purchased goods from the Group totalling approximately HK\$2,497,000.

The independent non-executive directors confirm that the transactions have been entered into by the Company in the ordinary course of its business and in accordance with terms of the agreement governing such transactions.

### DONATIONS

During the year, the Group made charitable and other donations totalling HK\$702,800.

### 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. The members of the Audit Committee comprise Messrs. Vincent Ting Kau Cheung and Joel Arthur Schleicher with a written terms of reference which describes the authority and duties of the Audit Committee.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**HORST JULIUS PUDWILL**

*Chairman and Chief Executive Officer*

Hong Kong, 2nd April 2001