

# Directors' Report

The Directors are pleased to present to shareholders their annual report and audited financial statements for the financial year ended 31st December, 2000.

## Principal Activities

The Company acts as an investment holding company.

Its subsidiaries were principally engaged in the import, marketing and distribution of air-conditioning and refrigeration products; audio-visual equipment; car audio and electronic products and other electronic electrical products. The activities and other particulars of the principal subsidiaries are set out in Note 44 to the financial statements.

## Segmental Information

Details of segmental information are set out in Note 4 to the financial statements.

## Group Results

The consolidated income statement is set out on page 27 and further analysis is given in the accompanying notes to the financial statements.

## Dividends

No interim dividend was paid during the year (1999 : nil) and the Directors do not recommend the payment of final dividend (1999 : nil) for the year ended 31st December, 2000.

## Group Financial 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 76.

## Share Capital and Share Options

Details of movements in the share capital of the Company during the year are set out in Note 29 to the financial statements.

Details of movements in the share options of the Company during the year are set out in Note 29 to the financial statements.

## Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in Notes 30-32 to the financial statements.

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## Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 16 to the financial statements.

## Donations

During the year, the Group made charitable and other donations of HK\$30,000 (1999: HK\$28,000).

## Borrowings

Details of the Group's borrowings are set out in Note 28 to the financial statements. No interest was capitalised by the Group during the year.

## Major Customers and Suppliers

The Group's five largest suppliers accounted for 73.6% of the Group's purchases during the year, 44.4% being attributable to the largest supplier.

The percentage of turnover attributable to the Group's five largest customers is less than 30% during the year.

As far as the Directors are aware, no Director of the Company, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has interest in the Group's five largest suppliers.

## Connected Transactions

Mega Warehouse (Hong Kong) Limited ("Mega HK") is indirectly owned as to 55% by the Company and as to 45% by Racer Profits Limited, a company wholly-owned by Mr. Richard Man Fai LEE.

Since 25th January, 2000, the Company indirectly has been holding 75% interest of ebuystore.com (H.K.) Limited ("ebuystore HK") and the remaining 25% interest of ebuystore HK is held by Rich Destiny Holdings Limited, a company wholly owned by Mr. Richard Man Fai LEE.



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## Connected Transactions (continued)

During the year, the Group had transacted with Mega HK and ebuystore HK. These transactions were carried out on normal commercial terms in the ordinary and usual course of business of the Group. Such transactions have been reviewed by the Independent Non-executive Directors of the Company and have been confirmed by them that such transactions were on normal commercial terms. Details of such transactions are set out as below:

	<b>Mega HK</b>	<b>ebuystore HK</b>
	<i>HK\$</i>	<i>HK\$</i>
Sales by the Group	3,452,587	1,038,147
Purchase by the Group	358,384	–
Service income in respect of provision of warehouse services	1,152,671	1,210
Rental received in respect of Wo Kee Hong Building	1,659,000	–
Rental received in respect of fixed assets	962,419	–

In 2000, the Group paid to Sumwell Property Management Limited, as the manager of Wo Kee Hong Building, management fees of total HK\$3,878,481 in respect of its occupancy of various units at Wo Kee Hong Building.

During the year under review, the transactions in the ordinary courses of business within the Group which involved the companies in which Messrs. Wing Sum LEE and Richard Man Fai LEE are directly or indirectly interested are shown in Note 40 to the financial statements.

## Directors

The Directors of the Company who held office during the year and up to the date of this report are:

### Executive

Wing Sum LEE	<i>(Chairman)</i>
Richard Man Fai LEE	<i>(Vice Chairman and Chief Executive Officer)</i>
Barry John BUTTIFANT	<i>(Managing Director, appointed on 28th May, 2001)</i>
Sammy Chi Chung SUEN	

### Non-executive

Kam Har YUE

### Independent Non-executive

Boon Seng TAN	
Raymond Cho Min LEE	<i>(Appointed on 3rd May, 2001)</i>
Symon Yu Wing WONG	<i>(Resigned on 1st February, 2001)</i>

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## Directors (continued)

In accordance with Bye-Law No. 99 of the New Bye-Law of the Company, Mr. Boon Seng TAN will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Bye-Law no. 102(B) of the New Bye-Law of the Company, Messrs. Barry John BUTTIFANT and Raymond Cho Min LEE will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office of each Independent Non-executive Director is 2 years and is subject to retirement by rotation in accordance with the Company's New Bye-Law.

## Directors' Service Contracts

Mr. Barry John BUTTIFANT has entered into a director's service contract with the Company for a fixed term of 3 years commencing on 23rd April, 2001.

Save as disclosed above, none of the Directors who is proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Securities

At 31st December, 2000, the beneficial interests of the Directors of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance were as follows:

### The Company

Directors	Number of ordinary shares of HK\$0.10 each			
	Personal Interests	Family Interests	Corporate Interests	Total Interests
Mr. Wing Sum LEE	616,636,752	–	128,014,060 (Note)	744,650,812
Mr. Richard Man Fai LEE	19,556,000	2,104,000	–	21,660,000
Mr. Sammy Chi Chung SUEN	300,000	–	–	300,000
Ms. Kam Har YUE	21,267,622	–	–	21,267,622

Note: These shares are owned by Unit Cosmo International Limited, a company the entire issued share capital of which is owned by Mr. Wing Sum LEE.



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## Directors' Interests in Securities *(continued)*

### Associated Corporations

Directors	Associated Corporations in which shares or equity interest are held or interested	Number of shares or amount of equity interest held or interested	Class and/or description of shares	
Mr. Wing Sum LEE	Stoneycroft Estates Limited	15,750,000	non-voting deferred shares	
	Wo Kee Hong Limited	8,500	non-voting deferred shares	
	Wo Kee Services Limited	1	non-voting deferred share	
	Wo Kee Hong Professional Air Conditioning Pte Ltd.	3,876,000 <i>(Note 1)</i>	ordinary shares	
	Best & Original Production Limited	8,448,000 <i>(Note 1)</i>	ordinary shares	
	Jin Ling Electrical Company Limited	RMB131,750,000 <i>(Note 1)</i>	N/A	
	Mitsubishi Heavy Industries Jinling Air-Conditioners Company, Ltd.	US\$14,700,000 <i>(Note 1)</i>	N/A	
	Modern Publication & Printing Limited	1 <i>(Note 1)</i>	ordinary share	
	Mega Warehouse (B.V.I.) Limited	55 <i>(Note 1)</i>	ordinary shares	
	ebuystore.com Limited	75	ordinary shares	
	WK Information Network Limited	70	ordinary shares	
	Bodysonic Worldwide Corporation 東莞先力電器有限公司	54	ordinary shares	
	(Dongguan Bodysonic Electric Co., Ltd)	HK\$2,125,000	N/A	
	Mr. Richard Man Fai LEE	Mega Warehouse (B.V.I.) Limited	45 <i>(Note 2)</i>	ordinary shares
		Mega Warehouse (Hong Kong) Limited	2 <i>(Note 2)</i>	ordinary shares
Mega Warehouse I&E Limited		1 <i>(Note 2)</i>	ordinary share	
ebuystore.com Limited		25	ordinary shares	
ebuystore.com (H.K.) Limited		2	ordinary shares	
WK Information Network Limited		70	ordinary shares	

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## Directors' Interests in Securities *(continued)*

### Associated Corporations *(continued)*

Directors	Associated Corporations in which shares or equity interest are held or interested	Number of shares or amount of equity interest held or interested	Class and/or description of shares
Ms. Kam Har YUE	Wo Kee Hong Limited	400	non-voting deferred shares
	Shinwa Engineering Company, Limited	3,850,000	non-voting deferred shares
	Forward International Corporation, Limited	34,335	non-voting deferred shares
	Stoneycroft Estates Limited	340,000	non-voting deferred shares

*Notes:*

- (1) Mr. Wing Sum LEE is deemed to be interested in the shares or equity interest as a result of his interest in the Company. Apart from these shares or equity interest, all other shares of the associated corporations held by the Directors as stated herein are personal interests.
- (2) These Shares are held directly or indirectly through a corporation controlled by Mr. Richard Man Fai LEE.

During the year, the Company granted share options to the employees, including the following Directors of the Company, to subscribe for a total of 13,090,000 shares in the Company in accordance with the terms and conditions of the share option scheme of the Company.

At 31st December, 2000, the following Directors held share options granted to them under the share option scheme, entitling them to subscribe for shares of HK\$0.10 each in the Company:

Directors	Date option granted	No. of shares in the option	Exercisable period	Subscription price per share HK\$
Mr. Wing Sum LEE	13th May, 1996	2,760,000	17th June, 1996 – 16th June, 2002	0.9460
	28th July, 1997	12,500,000	31st August, 1997 – 30th August, 2003	0.5330
	19th January, 1998	3,000,000	22nd February, 1998 – 21st February, 2004	0.2200
	21st December, 1999	6,500,000	11th February, 2000 – 10th February, 2006	0.1400
	11th February, 2000	3,000,000	21st March, 2000 – 20th March, 2006	0.3264

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### Directors' Interests in Securities *(continued)*

Directors	Date option granted	No. of shares in the option	Exercisable period	Subscription price per share HK\$
Mr. Richard Man Fai LEE	13th May, 1996	2,760,000	13th June, 1996 – 12th June, 2002	0.9460
	28th July, 1997	13,500,000*	28th August, 1997 – 27th August, 2003	0.5330
	19th January, 1998	3,100,000*	19th February, 1998 – 18th February, 2004	0.2200
	10th June, 1998	1,000,000	24th July, 1998 – 23rd July, 2004	0.1053
	21st December, 1999	6,700,000*	7th February, 2000 – 6th February, 2006	0.1400
	11th February, 2000	3,500,000	18th March, 2000 – 17th March, 2006	0.3264
Mr. Sammy Chi Chung SUEN	28th July, 1997	1,000,000	31st August, 1997 – 30th August, 2003	0.5330
	21st December, 1999	300,000	6th February, 2000 – 5th February, 2006	0.1400
	11th February, 2000	500,000	22nd March, 2000 – 21st March, 2006	0.3264

\* 1,000,000 share options granted on 28th July, 1997, 100,000 share options granted on 19th January, 1998 and 200,000 share options granted on 21st December, 1999, to Mr. Richard Man Fai LEE's spouse were included.

During the year, Mr. Sammy Chi Chung SUEN exercised 300,000 share options granted on 19th January, 1998 at a subscription price of HK\$0.2200 per share.

Save as disclosed herein, none of the above share options were exercised by the respective Directors during the year.

Other than as disclosed above, none of the Directors and chief executives, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance, and none of the Directors and chief executives, 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

Stoneycroft Estates Limited and Ever Rising Investments Limited, wholly-owned subsidiaries of the Company, (altogether, "Owners") entered into a deed of mutual covenant and management agreement with Sumwell Property Management Limited ("SPML"), a company owned by Mr. Wing Sum LEE and Ms. Kam Har YUE. Pursuant to the agreement, Owners appointed SPML to be the manager for a term of 2 years from 29th December, 1998 (renewable automatically thereafter) to undertake the management, operation, servicing, maintenance, repair, renovation and replacement of Wo Kee Hong Building. The agreement can be terminated by either the committee of the Owners or SPML by giving 3 months' prior notice. The total management fee paid to SPML in 2000 was approximately HK\$417,000.

Owners entered into service agreements with SPML in 1999 and 2000. Pursuant to the service agreement signed in 1999, Owners appointed SPML to be the service company for a term of 1 year from 1st April, 1999 for providing administrative and advisory services on the tenancy of Wo Kee Hong Building. The services agreement was renewed in 2000 for a term of 1 year from 1st April, 2000. The total amount of service fee paid to SPML in 2000 was approximately HK\$64,500.

Wo Kee Hong Electronics Sdn Bhd ("WKH Electronics"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Classic Lane (M) Sdn, Bhd ("Classic Lane" – receivers and managers have been appointed since 19th October, 2000), a company in which Mr. Wing Sum LEE has beneficial interests. Pursuant to the tenancy agreement, Classic Lane granted to WKH Electronics a tenancy in respect of 8th Floor, Menara Genesis, No. 33, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, at a monthly rent of Ringgit Malaysia 5,250 and monthly facility charge of Ringgit Malaysia 3,500. The tenancy agreement is for a term of 3 years commencing from 1st September, 1999 to 31st August, 2002. The total amount of rent plus facility charge paid to Classic Lane in respect of this agreement in 2000 was Ringgit Malaysia 105,000.

During the year, WKH Electronics had signed a letter of offer with Classic Lane. Pursuant to which Classic Lane granted to WKH Electronics a tenancy in respect of 9th Floor, Menara Genesis, No. 33, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, at a monthly rent of Ringgit Malaysia 10,000. The term of the tenancy is initially 1 year commencing from 1st December, 1999 with an option to renew at a rent to be agreed by both parties at the prevailing market rate. In November, 2000, the tenancy was extended for 3 months effective from 1st December, 2000 until 28th February, 2001, at a monthly rent of Ringgit Malaysia 10,000. The total amount of rent payable to Classic Lane in respect of the tenancy in 2000 was Ringgit Malaysia 120,000.

Apart from the foregoing, there were no other contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year.



## **Directors' Interests in Competing Business**

None of the Directors of the Company (other than Independent Non-executive Directors) is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

## **Convertible Securities, Options, Warrants or Similar Rights**

Other than the share option scheme of the Company set out in Note 29 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at 31st December, 2000. Other than the issue and exercise of share options pursuant to the share option scheme of the Company as explained in Note 29 to the financial statements, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

## **Substantial Shareholders**

At 31st December, 2000, there were no parties (except Mr. Wing Sum LEE whose interests are disclosed above), as recorded in the register maintained by the Company pursuant to the Securities (Disclosure of Interests) Ordinance, holding 10% or more of the interests in the share capital of the Company.

## **Compliance with Code of Best Practice**

In the opinion of the Directors, the Company has complied 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 throughout the year ended 31st December, 2000.

The Audit Committee of the Company disbanded subsequent to the resignation of Mr. Symon Yu Wing WONG, Independent Non-executive Director and Chairman of the Audit Committee, resigned from his office in the Company on 1st February, 2001.

On 3rd May, 2001, the Company re-established an Audit Committee comprising Mr. Raymond Cho Min LEE (Chairman) and Mr. Boon Seng TAN, Independent Non-executive Directors of the Company. In establishing the terms of reference for this Committee, the Directors have had regard to the "Guide for Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

## **Purchase, Sale or Redemption of Securities**

Details of repurchases by the Company of its own shares during the year are set out in Note 29 to the financial statements. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Save as mentioned above, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

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## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda although there are no restrictions against such rights under the laws in Bermuda.

## Disclosure Pursuant to Paragraph 3.10 of Practice Note 19 of the Listing Rules

The advances to affiliated companies (as defined in Practice Note 19 of the Listing Rules) ('Affiliated Companies') of the Company at 31st December, 2000 amounted to HK\$120.9 million which represents in aggregate approximately 32.9% of the Group's audited consolidated net assets value at 31st December, 2000. A combined balance sheet of Affiliated Companies at 31st December, 2000 is set out below:

	<i>HK\$'000</i>
Property, plant and equipment	294,142
Intangible assets	122,297
Investments in subsidiaries	37,841
Other long term investments	147,294
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	601,574
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Current assets	823,646
Current liabilities	(710,822)
Net current assets	112,824
Long term liabilities	(155,194)
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<b>Total net assets</b>	<b>559,204</b>
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<b>Attributable interests</b>	<b>207,952</b>
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## Auditors

The financial statements for the year were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

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**Barry John Buttifant**

*Managing Director*

Hong Kong, 28th May, 2001