

# Directors' Report

The Directors are pleased to present to shareholders their annual report and audited financial statements for the financial year ended December 31, 2001.

## 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; motor vehicles and car accessories; and other electronic and electrical products. The activities and other particulars of the principal subsidiaries are set out in Note 49 to the financial statements.

## Segmental Information

Details of segmental information are set out in Note 6 to the financial statements.

## Group Results

The consolidated profit and loss account is set out on page 31 and further analysis is given in the accompanying notes to the financial statements.

## Dividends

No interim dividend was paid during the year (2000 : nil) and the Directors do not recommend the payment of a final dividend (2000 : nil) for the year ended December 31, 2001.

## 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 4.

## Share Capital and Share Options

Details of movements in the share capital of the Company during the year are set out in Note 30 to the financial statements.

Information about the share options of the Company and details of movements in the share options of the Company during the year are set out on pages 93 to 97 of this Annual Report.

## Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in Notes 31-33 to the financial statements.

## 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 17 to the financial statements.

## Donations

During the year, the Group made charitable and other donations of HK\$82,000 (2000: HK\$30,000).

## Borrowings

Details of the Group's borrowings are set out in Note 35 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 60.0% of the Group's purchases during the year, 24.2% being attributable to the largest supplier.

The percentage of turnover attributable to the Group's five largest customers is less than 30.0% 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") was 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.

The Company indirectly held 75% interest of ebuystore.com (H.K.) Limited ("ebuystore HK") and the remaining 25% interest of ebuystore HK was held by Rich Destiny Holdings Limited, a company wholly owned by Mr. Richard Man Fai LEE.

The Company acquired the entire interests in Mega HK and ebuystore HK on September 21, 2001, details of which are set out in "Directors' Interests in Contracts" in this Directors' Report. Since then both companies have become indirect wholly-owned subsidiaries of the Company.

### Connected Transactions *(continued)*

From January 1, 2001 to September 20, 2001, the Group had transacted with Mega 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:

	<i>HK\$</i>
Sales by the Group	7,675,234
Purchases by the Group	218,477
Service income in respect of provision of warehouse services	421,573
Rental received in respect of Wo Kee Hong Building	276,500
Rental received in respect of fixed assets	160,403

In 2001, the Group paid to Sumwell Property Management Limited, as the manager of Wo Kee Hong Building, management fees of HK\$3,512,092 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 45 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)</i>
Sammy Chi Chung SUEN	
Jeff Man Bun LEE	<i>(Appointed on January 21, 2002)</i>

#### Non-executive

Kam Har YUE

#### Independent Non-executive

Boon Seng TAN  
Raymond Cho Min LEE

### Directors (continued)

In accordance with Bye-Law No. 99 of the New Bye-Law of the Company, Messrs Richard Man Fai LEE and Kam Har YUE will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-Law No. 102(B) of the New Bye-Law of the Company, Mr. Jeff Man Bun LEE will retire from office at the forthcoming Annual General Meeting and, being eligible, offer himself 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 April 23, 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 December 31, 2001, 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:

#### (a) Interest in 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	744,650,812
			(Note 1)	
Mr. Richard Man Fai LEE	21,156,000	2,204,000	–	23,360,000
Mr. Sammy Chi Chung SUEN	300,000	–	–	300,000
Ms. Kam Har YUE	21,267,622	–	–	21,267,622
Mr. Jeff Man Bun LEE	3,000,000	–	9,190,857	12,190,857
			(Note 2)	

Note 1: 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.

Note 2: These shares are owned by Fisherman Enterprises Inc., a company the entire issued share capital of which is owned by Mr. Jeff Man Bun LEE (appointed as a Director of the Company on January 21, 2002).

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

#### (b) Interest in associated corporation

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.	4,576,000 <i>(Note 3)</i>	ordinary shares
	Jin Ling Electrical Company Limited	RMB131,750,000 <i>(Note 3)</i>	N/A
	Mitsubishi Heavy Industries Jinling Air-Conditioners Company, Ltd.	US\$14,700,000 <i>(Note 3)</i>	N/A
	Modern Publication & Printing Limited	1 <i>(Note 3)</i>	ordinary share
	WK Information Network Limited	70 <i>(Note 3)</i>	ordinary shares
	東莞先力電器有限公司 (Dongguan Bodysonic Electric Co., Ltd)	HK\$2,125,000 <i>(Note 3)</i>	N/A
	Ms. Kam Har YUE	Wo Kee Hong Limited	400
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

Note 3: 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.

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

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

### (c) Rights to acquire shares of the Company

Other than as disclosed in the section headed "Share Option Information" of this Annual Report, 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

- (a) Stonecroft Estates Limited and Ever Rising Investments Limited, both are 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 December 29, 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 2001 was approximately HK\$417,000.
- (b) Owners entered into service agreements with SPML in 2001. Pursuant to the service agreement signed in 2001, Owners appointed SPML to be the service company for a term of 1 year from April 1, 2001 for providing administrative and advisory services on the tenancy of Wo Kee Hong Building. The total amount of service fee paid to SPML in 2001 was approximately HK\$18,000.
- (c) Wo Kee Hong Electronics Sdn Bhd ("WKH Electronics"), an 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 October 19, 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 September 1, 1999 to August 31, 2002. The total amount of rent plus facility charge paid to Classic Lane in respect of this agreement in 2001 was Ringgit Malaysia 105,000.
- (d) 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 December 1, 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 December 1, 2000 until February 28, 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 2001 was Ringgit Malaysia 20,000.

**Directors' Interests in Contracts** *(continued)*

- (e) On September 21, 2001, ebuystore.com (B.V.I.) Limited ("ebuystore BVI"), a company incorporated in the British Virgin Islands and an wholly-owned subsidiary of the Company as purchaser entered into a sale and purchase agreement with Racer Profits Limited ("Racer Profits"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Richard Man Fai LEE, as vendor relating to the purchase by ebuystore BVI of 45% of the entire issued capital of Mega Warehouse (B.V.I.) Limited ("Mega"), a subsidiary of the Company at a consideration of HK\$351 (equivalent to US\$45). Mega is a company incorporated in British Virgin Islands with limited liability and was, prior to the date of the sale and purchase agreement, owned as to 55% by ebuystore BVI, and as to 45% by Racer Profits. Mega is principally engaged in investment holding with subsidiaries operating direct warehouse outlets.
- (f) On September 21, 2001, ebuystore BVI as assignee has also entered into a deed of assignment with Racer Profits as assignor for the assignment by Racer Profits in favour of ebuystore BVI a shareholder's loan due and owing from Mega to Racer Profits in the sum of HK\$4,045,739 at a consideration of HK\$1.00.
- (g) On September 21, 2001, ebuystore BVI as purchaser entered into a sale and purchase agreement with Rich Destiny Holdings Limited ("Rich Destiny"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Richard Man Fai LEE, as vendor relating to the purchase by ebuystore BVI of 25% of the entire issued capital of ebuystore.com Limited ("ebuystore") at a consideration of HK\$195 (equivalent to US\$25). ebuystore is a company incorporated in the British Virgin Islands with limited liability and was, prior to the date of the sale and purchase agreement, owned as to 75% by ebuystore BVI and as to 25% by Rich Destiny. ebuystore and its subsidiaries are principally engaged in the e-commerce business.
- (h) On September 21, 2001, ebuystore BVI as assignee has entered into a deed of assignment with Mr. Richard Man Fai LEE as assignor relating to the assignment by Mr. Richard Man Fai LEE in favour of ebuystore BVI a Director's loan due and owing from ebuystore.com (H.K.) Limited ("ebuystore HK"), a company incorporated in Hong Kong and a wholly-owned subsidiary of ebuystore to Mr. Richard Man Fai LEE in the sum of HK\$777,650 at a consideration of HK\$1.00.
- (i) On December 31, 2001, Wo Kee Hong (B.V.I.) Limited ("WKH BVI"), a company incorporated in the British Virgin Islands and an wholly-owned subsidiary of the Company as vendor entered into a sale and purchase agreement with Mr. Wing Sum LEE, or the company wholly-owned by Mr. Wing Sum LEE as purchaser relating to the disposal by WKH BVI of the entire issued capital of Golden City Equities Limited, a company incorporated in the British Virgin Islands and an indirectly wholly owned subsidiary of the Company at a consideration of HK\$1,300,000.

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.

## Subscription of New Shares

On February 14, 2001, 5,000,000 shares of HK\$0.10 each of the Company were allotted and issued, for cash, at HK\$0.10 per share for a total consideration of HK\$500,000 (before expenses) to Access Asia Investment Holdings Limited, an independent third party.

The Board considers the Subscription could enlarge capital base of the Company and strengthen the Group's financial position.

The net proceeds were used for general working capital of the Group.

## Convertible Securities, Options, Warrants or Similar Rights

Other than the share option scheme of the Company set out in the section headed "Share Option Information" of this Annual Report, the Company had no outstanding convertible securities, options, warrants or similar rights at December 31, 2001. Other than the issue and exercise of share options pursuant to the share option schemes of the Company as explained in the "Share Option Information" section, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

## Substantial Shareholders

At December 31, 2001, 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 December 31, 2001.

The Company set up 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 30 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.

### **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.

### **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

**Barry John BUTTIFANT**

*Managing Director*

Hong Kong, April 24, 2002