

## Results of operations

### Turnover

For the year ended December 31, 2005 the Group turnover continued to record a double-digit growth of 11.5% (2004: 11.8%) to HK\$689.8 million, as compared with HK\$618.6 million in last year. This further underpinned the recovery in aggregate of our business as we had explained in last year.

### Gross profit

Despite severe price competition we managed to achieve high volume of sales. The slight slip in the profit margin of 0.8% from 21.2% of last year down to 20.4% this year did not hit much on our gross profit which marked an increase by HK\$9.3 million (+7.1%, 2004: +8.7%) to HK\$140.4 million (2004: HK\$131.1 million).

In view of the foregoing satisfactory result, we would like to reiterate the priorities of our Group: Focusing more on core business and promising products; rejuvenating the image and developing the market of self-owned brands; exploring with due diligence and care the feasibility of new products and markets suitable for our Group. Continuous efforts driven with momentum will be made to achieve these directives.

### Distribution costs and administrative expenses

Despite the double-digit growth in turnover, we managed to reduce our distribution costs by HK\$5.5 million (2004: HK\$2.5 million) as compared to last year. The board stays firm of the perception that, going forward, efforts should not be stopped in all aspects of cost-saving measures to maintain our competitiveness in the market.

Administrative expenses were up by HK\$14.6 million from HK\$80.5 million of last year to HK\$95.1 million this year. Increased turnover and capital investment for enhancing our overall operating capability, particularly in our booming car business, resulted in correspondingly higher staff and overhead costs.

## 經營業績

### 營業額

本集團截至二零零五年十二月三十一日止年度營業額較去年之港幣618,600,000元繼續錄得11.5%(二零零四年: 11.8%)之雙位數增幅, 達港幣689,800,000元。誠如本公司於去年之解釋, 此項增長進一步支持本公司總體業務已復甦。

### 毛利

儘管價格競爭激烈, 但本公司仍能達至高銷售額。毛利率由去年21.2%微降0.8%至今年之20.4%, 然本公司之毛利並未大受影響, 增長港幣9,300,000元(增長率7.1%, 二零零四年: 8.7%)至港幣140,400,000元(二零零四年: 港幣131,100,000元)。

前述業績誠然令人滿意, 惟吾等須重申本集團之重點, 即更強調核心業務及有前途之產品; 更新形象, 開拓自有品牌市場; 謹慎探討適合本集團之新產品、新市場之可行性。本集團將盡力推動, 透過持續努力達至此等目標。

### 分銷費用及行政費用

儘管營業額錄得雙位數增長, 吾等仍成功將分銷費用, 較去年降低港幣5,500,000元(二零零四年: 港幣2,500,000元)。誠然業務向前發展, 然各項成本控制措施均不得放鬆, 以維持吾等於市場之競爭力, 此乃董事會堅守之信念。

去年行政費用為港幣80,500,000元, 今年增加港幣14,600,000元至港幣95,100,000元。營業額之增長, 為提升吾等整體營運能力(特別是吾等欣欣向榮之汽車業務)及所作之資本投資, 相應推高人工及經常費用。



## Results of operations (Continued)

### Profit from operations

The Board is pleased to announce that our profit from operations was at unprecedented high in recent years with a profit booking of HK\$76.3 million (2004: HK\$2.1 million).

Other operating income of HK\$10.7 million (2004: HK\$6.8 million) was mainly derived from rental income received from our properties. As the property market is thriving again, we would anticipate a steady growth of this income in the coming years.

A net profit of HK\$13.1 million (2004: HK\$0.6 million), which formed part of profit from operations, reflected the fluctuation in value arising from revaluation of properties as well as loss incurred on disposal of properties.

During the year the Group and a supplier, Mitsubishi Heavy Industries, Ltd ("MHI"), entered into a deed of settlement in relation to the settlement of the debt due to MHI under a loan agreement. Pursuant to the deed of settlement, the debt, being the aggregate of the principal plus accrued interest thereon of approximately HK\$135.0 million as at December 31, 2004, was finally settled in full with the amount of approximately HK\$46.8 million, resulting in a gain of HK\$88.2 million and included in the Group's operating result.

For the sake of prudence, if not overly cautious, full provision of contingent liabilities in the sum of approximately HK\$30.7 million was made on a legal claim against our subsidiary in PRC. It appears that the Group is unlikely to be required to make the full payment ultimately.

### Profit attributable to shareholders

The Board is pleased to deliver to shareholders a promising profit attributable to shareholders of HK\$35.5 million, a marked increase of HK\$33.8 million as compared to last year (2004: HK\$1.7 million).

Finance costs closed at HK\$6.7 million, being HK\$1.2 million less than last year (HK\$7.9 million).

## 經營業績 (續)

### 經營盈利

董事會欣然宣佈，吾等之經營盈利創近年新高，錄得盈利港幣76,300,000元(二零零四年：港幣2,100,000元)。

其他營業收入為港幣10,700,000元(二零零四年：港幣6,800,000元)主要乃吾等物業產生之租金收入。鑒於物業市場再度興旺，吾等預計來年該項收入將穩步增長。

構成經營盈利一部分之收益港幣13,100,000元(二零零四年：港幣600,000元)，反映重估物業所致之價值波動，及出售物業產生之虧損。

年內，本集團與一供應商三菱重工株式會社(「三菱重工」)就償還有關一項貸款協議下所欠三菱重工之債務，達成債務清償協議。依據該債務清償協議，截至二零零四年十二月三十一日止有關債務之本金與應計利息共計約港幣135,000,000元，最後以金額約港幣46,800,000元悉數清償，錄得收益約港幣88,200,000元，計入本集團之營運業績內。

為審慎起見，倘非過度謹慎，本公司就其中國附屬公司遭司法索償一事，悉數或然負債撥備約港幣30,700,000元。然本集團最終須作全額償付之可能性甚微。

### 股東應佔盈利

董事會欣然向股東呈報，今年股東應佔盈利令人振奮，為港幣35,500,000元，較去年勁增港幣33,800,000元(二零零四年：港幣1,700,000元)。

年末財務費用為港幣6,700,000元，較上一年(港幣7,900,000元)降低港幣1,200,000元。

## Results of operations (Continued)

### Profit attributable to shareholders (Continued)

Share of results of associates mainly reflected the share of loss of our associated company in Jiangmen amounting to HK\$23.5 million (2004: HK\$17.5 million). High costs of raw materials during the year hindered significantly the financial performance. Alternative proposals were under consideration in order to work out a constructive program to protect the value of this investment.

A net charge of income tax amounting to HK\$11.5 million (2004: net credit of HK\$29.5 million) was recorded which mainly reflected the utilisation of deferred tax asset in relation to the debt settlement agreement with a major supplier.

### Financial condition

The Group was financed by a combination of its equity capital base, cash flow generated from operations, fund raising exercise and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

During the year, the Company issued a 7.25% convertible loan note at a par of HK\$30,000,000 which was denominated in Hong Kong dollars. The note entitled the holder, under prescribed time frame, to convert the same into ordinary shares of the Company at a conversion price of HK\$0.10 per convertible note. If the note had not been converted, it would be redeemed on September 5, 2008 at par. Interest of 7.25% per annum was payable semi-annually up until the settlement date.

Cash and cash equivalents at December 31, 2005 were HK\$18.6 million (2004: HK\$13.7 million), reflecting the general ability of the Group to generate or raise funds.

The Group had total borrowings at December 31, 2005 amounting to HK\$83.1 million (December 31, 2004: HK\$164.4 million). The Group's gearing ratio stood at 16.1% (2004: 50.2%), based on long term liabilities (excluding deferred tax) of HK\$48.4 million (2004: HK\$132.2 million) and shareholders' equity of HK\$301.0 million (2004: HK\$263.3 million). The current ratio was 1.0 (2004: 1.1), based on current assets of HK\$242.4 million (2004: HK\$217.6 million) and current liabilities of HK\$241.6 million (2004: HK\$189.5 million).

## 經營業績 (續)

### 股東應佔盈利 (續)

應佔聯營公司業績主要反映應佔於江門之聯營公司虧損港幣23,500,000元(二零零四年：港幣17,500,000元)。年內原材料成本高企，對財務表現阻礙甚大。吾等現正籌劃替代性建議，以設計一套建設性方案，從而保護該項投資之價值。

所得稅淨開支達港幣11,500,000元(二零零四年：港幣29,500,000元之撥回淨額)，主要反映因與一主要供應商之債務清償協議而使用之遞延稅項資產。

### 財務狀況

本集團之融資途徑，乃綜合其權益股本，經營產生之現金流量，集資及銀行貸款。銀行及其他負債均如常於日常業務下，於其到期日前獲得清償。

於年內，本公司發行以港幣計值、本金為港幣30,000,000元，票面息率為7.25%的可換股貸款票據。票據持有人可於指定時間內，按每份票據港幣0.10元之換股價轉換為本公司之普通股。倘該票據並未被轉換，則將於二零零八年九月五日以面值贖回。7.25%之年息將須每半年繳付一次直至清償日。

於二零零五年十二月三十一日，現金及現金等值物為港幣18,600,000元(二零零四年：港幣13,700,000元)，反映本集團產生或籌集資金之一般能力。

本集團於二零零五年十二月三十一日之貸款總額為港幣83,100,000元(二零零四年十二月三十一日：港幣164,400,000元)，本集團之資產與負債比率為16.1%(二零零四年：50.2%)，乃根據長期負債(不包括遞延稅項)港幣48,400,000元(二零零四年：港幣132,200,000元)及股東權益港幣301,000,000元(二零零四年：港幣263,300,000元)計算。根據流動資產港幣242,400,000元(二零零四年：港幣217,600,000元)及流動負債港幣241,600,000元(二零零四年：港幣189,500,000元)計算，流動比率為1.0(二零零四年：1.1)。



## Results of operations (Continued)

### Financial condition (Continued)

It is the Group's management practice to hedge foreign currency transactions with the objective to stabilise the cost via the pegging of the exchange rates with bankers. At December 31, 2005 the total outstanding foreign exchange contracts purchased with banks amounted to HK\$3.9 million (2004: HK\$14.5 million).

The Group had trading facilities at December 31, 2005 amounting to HK\$200.1 million (2004: HK\$128.2 million) of which HK\$107.9 million (2004: HK\$91.8 million) was utilised. Certain of the Group's properties, inventories, trade receivables and all assets of a subsidiary were pledged at year ended 2005 in an aggregate amount of HK\$305.6 million (2004: HK\$325.4 million) to secure facilities granted by our bankers.

At both of the years ended December 31, 2004 and 2005, the Group had contingent liabilities of approximately HK\$1.3 million in respect of proceedings involving a subsidiary in India and of approximately HK\$10,333,000 (2004: approximately HK\$1,000,000) arising out of the grant of option to a connected person. At December 31, 2004, the Group had contingent liabilities of approximately HK\$29.2 million arising from a court case involving a subsidiary of the Company in PRC for which we have made full provision of HK\$30.7 million for the year ended December 31, 2005.

There was no material capital commitment at both year end.

## Business Review

### Air-conditioning products

The business consists of marketing and distribution of a wide range of consumer and commercial air-conditioning products of three major brands, namely, "MHI" (Mitsubishi Heavy Industries of Japan); "GREE" from mainland China and our own "Bodysonic". The Group also provides after-sales service and support to its customers.

## 經營業績 (續)

### 財務狀況 (續)

根據本集團之慣常管理方式，對於外匯交易，本集團會透過對沖方式與銀行鎖定匯率以控制成本。於二零零五年十二月三十一日，所購買而未到期履約之銀行期匯合約總額為港幣3,900,000元（二零零四年：港幣14,500,000元）。

本集團於二零零五年十二月三十一日之貿易信貸額為港幣200,100,000元（二零零四年：港幣128,200,000元），當中已動用港幣107,900,000元（二零零四年：港幣91,800,000元）。於二零零五年年終，本集團若干物業、存貨、貿易應收賬款及一間附屬公司之全部資產合共港幣305,600,000元（二零零四年：港幣325,400,000元）已經抵押，作為銀行授出貸款之抵押品。

於截至二零零四年及二零零五年十二月三十一日止兩個年度，本集團之或然負債包括因印度之一間附屬公司所牽涉之法律程序而產生約港幣1,300,000元，及因向一名關聯人士授出購股權而產生約港幣10,333,000元（二零零四年：約港幣1,000,000元）。於二零零四年十二月三十一日，本集團之或然負債約港幣29,200,000元，乃因本公司於中國之一間附屬公司牽涉法庭案件而產生，本公司已於二零零五年年度就此作出約港幣30,700,000元之悉數撥備。

於該兩年年終概無重大資本承擔。

## 業務回顧

### 空調產品

此業務包括對「三菱重工」（日本三菱重工業株式會社）、中國大陸之「格力」及自身品牌「先力」等三個主要品牌不同系列之家用及商用空調產品進行市場推廣及分銷。本集團亦向顧客提供售後服務及支援。

**Business Review (Continued)****Air-conditioning products (Continued)**

Turnover of air-conditioning products for the year was down by 19.9% over last year at HK\$ 98.0 million (2004: HK\$122.4 million). This was partly due to the shifting of the "LG" business from exclusive distributorship to wholesaling effective from July 1, 2005; this transaction had impact on the steady supplies of "LG" products during the transitional period. Moreover, "MHI" ceased production of its range of commercial watercooled packaged units and caused a decrease in sales. Competition in mainland China was still tough.

Despite very keen market competition, satisfactory gross margin was attained at the same level of last year. This was the result of good product positioning and segmentation of our brands in the marketplace, whilst focusing effort on commercial product sales and cost rationalisation.

In 2006, we expect to grow this business by representing more international brands and marketing a fuller range of products.

**Audio-visual and other electrical products**

The main business consists of marketing and distribution of our own "Rogers" and "Bodysonic" audio-visual products, "Marantz" and "Sansui" audio-visual products of Japan, "Alpine" car electronics of Japan and wholesaling of "LG" electrical appliances of Korea.

As the economies in the major markets in Hong Kong, Singapore and Malaysia continued to improve, driven by our successful products and marketing developments, we achieved excellent growth of 54.3% in the year over last year at HK\$212.2 million (2004: HK\$137.5 million).

The development of our own "Rogers" brand from the United Kingdom was especially successful with the launch of new LCD TV's, MP3 and DVD-RW players; and a new range of quality speaker systems. The 30-inch LCD TV of "Rogers" was ranked the "best seller" in Hong Kong for January 2005. "Rogers" also participated in the Consumer Electronics Show in Las Vegas, U.S.A. in January 2005 with very good responses. The brand continued to add new international markets like Germany, Holland and Korea in its export drive, to a total of 11 markets.

**業務回顧 (續)****空調產品 (續)**

年內空調產品錄得港幣98,000,000元營業額(二零零四年:港幣122,400,000元),較去年下滑19.9%。部分原因乃自二零零五年七月一日起,「LG」業務由獨家代理轉為批發業務,此項轉變對「LG」產品於過渡期內之穩定供應構成影響。此外,「三菱重工」停止生產其商用水冷式櫃機系列,導致銷量下降。中國大陸市場之競爭仍然激烈。

儘管競爭激烈,毛利仍能維持與去年相若之滿意水平。此佳績源於產品之良好定位及本集團品牌於市場之適當分類,並重點推售商用產品以及控制成本。

於二零零六年,吾等計劃代理更多國際品牌,銷售更全面產品以確保此業務增長。

**影音及其他電子產品**

主要業務包括對本集團自身品牌「樂爵士」及「先力」影音產品,日本「馬蘭士」、「山水」影音產品,日本「阿爾派」汽車電子產品之市場推廣及分銷,以及韓國「LG」電器產品之批發。

香港、新加坡及馬來西亞等主要市場經濟持續改善,加之吾等產品及市場拓展成功,營業額較去年勁增54.3%,達港幣212,200,000元(二零零四年:港幣137,500,000元)。

透過推出全新液晶電視、MP3播放機、DVD錄像機及全新一系列優質揚聲器系統,本集團之英國自身品牌「樂爵士」獲得極大成功。「樂爵士」30吋液晶電視機於二零零五年一月榮登香港「最暢銷」寶座。「樂爵士」亦於二零零五年一月參加於美國拉斯維加斯舉行之電子消費品展覽會,反應熱烈。該品牌正進入德國、荷蘭及韓國等新國際市場,目前出口市場已達到十一個。

## Business Review (Continued)

### Audio-visual and other electrical products (Continued)

As for "LG" home appliances, due to the change of exclusive distributorship to wholesaling with effect from July 1, 2005, sales of such products decreased. We have identified potential replacement products and brands to fill the gap.

The car electronics of "Alpine" mobile entertainment made good sales and profit growth in Singapore and Malaysia in both OEM and after-market business.

Growth in the audio-visual segment is expected with continuous expansion of the "Rogers" and "Alpine" business, improvement in profit margin, development of more international markets, new product launches and increasing operational efficiency.

### Cars and car accessories

The business consists mainly of the import, distribution and after-sale service of Italian "Ferrari" and "Maserati" cars and spare parts in Hong Kong and Macau.

Sales in this category increased by 20.1% to HK\$377.8 million (2004: HK\$314.6 million) caused by strong "Ferrari" and "Maserati" growth in Hong Kong. Profit contribution also increased during the year. Workshop service income also increased substantially and contributed to operating profit. Since September 2004, the selling of cars to mainland China was transferred to the equity joint-venture, Ferrari Maserati Cars International Trading (Shanghai) Co., Ltd. The Group continued to do the PDI (Pre-delivery Inspection) of all "Ferrari" and "Maserati" cars being imported into China, billings of the PDI services contributed to profits of the Group.

## 業務回顧 (續)

### 影音及其他電子產品 (續)

自二零零五年七月一日起本集團之「LG」家電分銷業務由獨家代理轉為批發業務，令此類產品銷售下降。吾等已發掘有潛質的替代產品及品牌，以彌補不足。

專為提供移動娛樂的「阿爾派」汽車電子產品，原設備生產及零售市場業務於新加坡及馬來西亞之銷售額良好及錄得利潤增長。

在「樂爵士」及「阿爾派」業務持續擴展，改善邊際利潤，開拓更多國際市場，推出更多新產品並提高營運效率下，可望帶動影音業務增長。

### 汽車及汽車配件

此業務主要包括意大利「法拉利」及「瑪莎拉蒂」汽車及配件於香港及澳門之進口、分銷及售後服務。

「法拉利」及「瑪莎拉蒂」於香港市場強勁增長，令該業務銷售額上升20.1%，達港幣377,800,000元（二零零四年：港幣314,600,000元）。年內之盈利貢獻亦錄得增長。汽車服務中心服務收入亦增長顯著，對營業盈利貢獻良多。自二零零四年九月起，中國大陸市場之汽車銷售已轉為由合資企業法拉利瑪莎拉蒂汽車國際貿易（上海）有限公司負責。集團繼續對所有入口至中國的「法拉利」及「瑪莎拉蒂」汽車進行交貨前檢驗（PDI），是項PDI服務收費亦對本集團盈利有所貢獻。

**Business Review** (Continued)**Cars and car accessories** (Continued)

During the year, the new "Ferrari" 8-cylinder sports car, F430, was introduced and we received the highest record of orders for a new model. Delivery of the F430 started in July and generated high growth in sales and profit in the second half. The convertible F430 Spider was also launched with many orders received. The 12-cylinder Superamerica was introduced and we pre-sold all of our allocation. "Maserati" also achieved record sales with its successful Quattroporte, GranSport and MC12 (The Group sold 10% of the global production of this model.)

**業務回顧** (續)**汽車及汽車配件** (續)

年內本集團新推出「法拉利」F430型號8汽缸跑車，該新型號並創下訂單最多紀錄。F430自七月開始付運，並為下半年帶來銷售額及盈利之高增長。摺篷式F430 Spider甫推出亦收到眾多訂單。12汽缸Superamerica甫推出配額已預售一空。Quattroporte, GranSport及MC12 (本集團之銷量佔該型全球產量10%) 成功推售，令「瑪莎拉蒂」錄得創紀錄銷售額。



A large, high-tech 3S (Sales, Service and Spare parts) centre of about 30,000 sq.ft. on the Hong Kong Island was inaugurated in October, so in addition to our two existing service workshops on the Kowloon side, we would provide even a higher level of technical services to our customers. A new exclusive "Maserati" showroom was opened in October to further strengthen the promotion of "Maserati" cars, the original showroom was transformed into an exclusive "Ferrari" showroom.

We are confident of a very successful 2006 for the car business, with increased allocation of "Ferrari" cars, launches of 430 Challenge and of the eagerly awaited new V12 F599 Fiorano in the year. Sales growth will also come from "Maserati" as its Quattroporte range will be expanded with Executive GT and Sports GT models; GranSport will also see a limited edition.

一間面積達30,000平方呎的大型高科技3S中心(銷售、維修及零件服務)十月於港島區開幕，加上位於九龍區現設的兩間汽車服務中心，令吾等可向顧客提供更高層次之技術服務。「瑪莎拉蒂」專用之全新陳列室亦於十月落成，進一步增強「瑪莎拉蒂」之推售，原有陳列室則轉為「法拉利」專用陳列室。

本集團將獲配更多「法拉利」汽車，430 Challenge及市場翹首以待的全新V12 F599 Fiorano亦將於本年推出，故吾等對二零零六年之汽車業務充滿信心。「瑪莎拉蒂」之Quattroporte系列將拓展至Executive GT及Sports GT型號，GranSport也將推出限量版，故「瑪莎拉蒂」銷售量也勢必增長。

**Business Review** (Continued)**Other businesses**

During the year, the Group was appointed as the regional distributor of the reputable Italian "Ferretti" motor yachts in Southern China covering Guangdong, Fujian, Hainan and Guangxi. Good sales growth potential is expected of this business.

Rental incomes generated by our investment properties in Hong Kong and mainland China also increased. Such rental incomes are expected to grow continuously in 2006.

**業務回顧** (續)**其他業務**

年內，本集團被委任為意大利著名機動游艇「法拉帝」於華南地區之區域代理，代理區包括廣東、福建、海南及廣西。該業務可望有良好銷售增長潛力。

吾等於香港及中國大陸的投資物業之租金收入有所增加。此租金收入於二零零六年可望繼續增加。

**The Singaporean and Malaysian markets**

The Singaporean operations consisted of the distribution of "MHI" and "Bodysonic" air-conditioning products, "Alpine" and "Rogers" car audio products and home audio-visual products of "Marantz", "Rogers" and "Mordaunt-Short". Whilst air-conditioning business did not do well due to a weak construction market, car audio products increased in both OEM and after-market sales. The Singaporean operations were profitable for the year.

The Malaysian operations consisted of mainly the same car audio and home audio-visual products as in Singapore. The car audio section managed good growth in 2005 and the Malaysian operations achieved a profitable year.

**新加坡及馬來西亞市場**

於新加坡之業務包括分銷「三菱重工」及「先力」空調產品，「阿爾派」及「樂爵士」汽車音響產品，以及「馬蘭士」、「樂爵士」及「Mordaunt-Short」家庭影音產品。雖建築市場疲弱令空調設備業務未如理想，汽車音響產品於原設備生產及零售市場業務之銷售額均錄得增長。年內新加坡業務並錄得盈利。

馬來西亞業務主要包括與新加坡業務相同之汽車音響及家庭影音產品。於二零零五年，汽車音響部份增長良好，馬來西亞業務並錄得盈利。



**Business Review (Continued)****Joint-venture manufacturing business**

(Jin Ling Electrical Company Limited – “JLE”)

This 50%-owned business is engaged in the design and manufacture of washing machines under the “Jinling” brand for sale in the PRC, but also as an Original Equipment Manufacturer (“OEM”) for customers in Africa, Latin America, MiddleEast and South East Asia.

Sales rose by RMB29.6 million (6.4%) to RMB494.3 million (2004: RMB464.7 million). Gross margins were under high pressure with the relentless upsurge in raw material costs. Share of loss in JLE amounted to HK\$23.5 million (2004: HK\$17.5 million). However, progress is made in identifying a solution to minimise the loss to the Group in this investment.

**PERSONNEL**

At the end of 2005, the total number of employees of the Group, excluding associates, was 316 (2004: 283), representing a 11.7% increase in headcount. This is mainly due to the expansion of our car business group and the opening of the new 3S centre for motor cars in Hong Kong.

The management was committed to staff motivation, training and improving communication to build a stable, competitive and dynamic workforce.

**SUBSEQUENT EVENT**

- **Acquisition of the distributorships**

In February 2006, Wo Kee Hong Limited, a wholly owned subsidiary of the Company, acquired 100% shares of Firmmark Limited (“Firmmark”). As Firmmark is the distributor of the domestic electrical appliances under the famous US brand “Frigidaire” in Hong Kong and Macau (“Territories”), the Group in effect acquired the distributorship of the “Frigidaire” products in the Territories through its control of Firmmark.

**業務回顧 (續)****合營生產業務**

(金羚電器有限公司 – 「金羚電器」)

這間由本集團擁有50%權益之公司，從事設計及生產以「金羚」品牌之洗衣機在中國銷售，現時亦作為非洲、拉丁美洲、中東及東南亞客戶之原設備生產商(「OEM」)。

銷售額增加人民幣29,600,000元(6.4%)至人民幣494,300,000元(二零零四年：人民幣464,700,000元)。由於原料成本上升，導致毛利率倍添受壓。應佔金羚電器虧損達港幣23,500,000元(二零零四年：港幣17,500,000元)。然而吾等於努力尋求解決方案，以儘量減少本集團於是項投資中的虧損，並取得進展。

**員工**

於二零零五年年結日，本集團(不包括聯營公司)總員工人數為316人(二零零四年：283人)，總人數增加11.7%，主要乃汽車業務部擴張及新開幕之香港3S汽車服務中心增聘人手所致。

管理層致力加強員工士氣及培訓，改善溝通，構建一個穩定、有競爭力及充滿動力的員工團隊。

**結算日後事項**

- **獲得分銷權**

於二零零六年二月，和記電業有限公司(本公司之全資附屬公司)收購了恒標有限公司(「恒標」)100%股權。由於恒標乃著名美國家電品牌「北極牌」產品於香港及澳門(「區域」)之分銷商，本集團實際透過收購恒標，獲得於區域內「北極牌」產品之分銷權。

**SUBSEQUENT EVENT** (Continued)

- **Acquisition of the distributorships** (Continued)

In addition to “Frigidaire” of the United States, the famous brand of “Daewoo” of Korea also added to the Group’s existing distributorship list of electrical appliances in early 2006.

- **Update on proceedings in the People’s Republic of China**

On February 17, 2006, the Company published an announcement relating to the update on the proceedings against 東莞長興制冷設備有限公司 (Dongguan Changxing Refrigeration Equipment Co. Ltd.\*) (“Changxing”, being the defendant), a 92%-owned subsidiary of the Company instigated by 廣州市祥能置業投資有限公司 (Guangzhou City Cheungnan Investment Co., Ltd.\*) (“GCCl”, being the plaintiff) claiming for the amount of US\$1,996,600 (equivalent to approximately HK\$15.6 million) and interest thereon (the “Proceedings”).

The Guangdong Province Higher People’s Court (“Higher People’s Court”) affirmed the decision of the Dongguan City Medium People’s Court (“The Dongguan City Court”) on January 24, 2006, which founded in favour of GCCl and ordered Changxing to pay GCCl an amount equivalent to aggregate of the outstanding principal amount claimed and interest thereon and court fees for the Proceedings. The aggregate amount payable by Changxing pursuant to the order of The Dongguan City Court as affirmed by the Higher People’s Court was approximately HK\$31.1 million as at February 17, 2006. Changxing is currently seeking legal advice as to the possible course of action in light of the decision of the Higher People’s Court.

The Group acquired Changxing in early 1998. The Proceedings related to amounts borrowed by Changxing in 1993, before Changxing became a subsidiary of the Company and had not been disclosed to the Company by the vendor at the time of the acquisition in 1998. In light of the judgment by the Higher People’s Court, the Group will conduct a review of the circumstances leading to the acquisition of the 92% interest in Changxing and after seeking advice, will consider whether there is any possible course of action by the Group, including claims against the vendor.

**結算日後事項** (續)

- **獲得分銷權** (續)

除美國「北極牌」以外，於二零零六年初本集團亦獲得韓國著名品牌「大宇」電器產品之分銷權。

- **於中華人民共和國內法律程序的最新消息**

於二零零六年二月十七日，本公司刊發公佈，當中披露有關廣州市祥能置業投資有限公司（「祥能」即原告人）對本公司擁有92%權益的附屬公司東莞長興制冷設備有限公司（「長興」即抗辯人）提出法律程序（「法律程序」），追討1,996,600美元（相等於約港幣15,600,000元）及相關利息。

廣東省高級人民法院（「高級人民法院」）已確認東莞市中級人民法院（「東莞市法院」）於二零零六年一月二十四日判祥能勝訴，判長興向祥能支付相當於其索賠的未償本金額及相關利息合計的金額以及法律程序的受理費。據高級人民法院的確認，長興根據東莞市法院的指令應支付的金額合計約為港幣31,100,000元（截至二零零六年二月十七日）。長興現正就高級人民法院的判決而可作出的相應行動尋求法律意見。

本集團於一九九八年初收購長興。法律程序乃關於長興於一九九三年（於長興成為本公司的附屬公司前）借取的款項。於一九九八年收購長興時，賣方並未向本公司披露有關事宜。鑑於高級人民法院的判決，本集團將檢討導致收購長興92%權益的情況，並於尋求意見後，將考慮本集團能否作出任何相應行動，包括向賣主索賠。

**SUBSEQUENT EVENT** (Continued)

- **Disposal of Equity Interest in a Joint Venture**

On December 30, 2005, Italian Motors (Sales & Service) Limited, an indirect 89.92%-owned subsidiary of the Company, and Ferrari S.p.A. entered into an equity interest transfer agreement relating to the transfer of 29% equity interest in the Ferrari Maserati Cars International Trading (Shanghai) Co., Ltd. (the "Joint Venture"), for a consideration of US\$870,000 (equivalent to approximately HK\$6.8 million). The scope of business of the Joint Venture is the import, distribution and sale of "Ferrari" and "Maserati" brand motor vehicles, their spare parts and ancillary products in the PRC.

**PROSPECT**

The main markets of our Group in Hong Kong, Macau, mainland China, Singapore and Malaysia are expected to continue to grow in 2006 and provide ample business opportunities for our Group.

Good sales and profit growth of our car business are targeted, to be made possible by the increase in allocation of cars to us by the factory. The new models are very popular in the market and some have a waiting list of over 2 years. Additional car brand may be added, which will complement our existing range to offer a fuller line up to our customers. The new 3S centre will generate additional sales of cars and repair services.

**結算日後事項 (續)**

- **出售合營企業的股本權益**

於二零零五年十二月三十日，本公司間接擁有89.92%權益的附屬公司勵駿汽車有限公司與Ferrari S.p.A.訂立股權轉讓協議，內容為有關以代價870,000美元(相當於約港幣6,800,000元)轉讓法拉利瑪莎拉蒂汽車國際貿易(上海)有限公司(該「合營企業」)29%的股本權益。該合營企業的業務範圍為「法拉利」、「瑪莎拉蒂」品牌汽車及其配件及輔助產品於中華人民共和國的進口、分銷及銷售。

**展望**

於二零零六年，本集團之主要市場香港、澳門、中國大陸、新加坡及馬來西亞均有望繼續增長，並為本集團提供充沛商機。

吾等將從汽車廠家獲配更多汽車，故汽車業務有望錄得良好銷售額及盈利增長。新汽車型號大受市場歡迎，部分訂單交貨期要排到兩年之後。吾等亦擬增售更多汽車品牌，以補充現有系列並向顧客提供更全面產品。新開幕的3S中心增加了汽車銷量及維修服務。

**PROSPECT** (Continued)

The air-conditioning business will maintain its sales and profit level. The addition of "Frigidaire" to our electrical appliances line up will provide higher profit margins in unique products like wine-cooler; also through the possible licensing of the brand, the Group can develop new products and make additional sales volume. Our own "Bodysonic" brand will develop new life style electrical products, like massage chair.

The Group's "Rogers" brand of audio-visual products will develop more special products with higher margins, with the goal of both enhancing its image and profitability. Efforts will be increased to develop the mainland China and overseas distribution of "Rogers". A new initiative of this year is to tap the business potential of musical softwares, "Rogers Music" is set up and that has launched its own publication of music and management of artists.

The direction of distributing more luxurious brands has started with Italian "Ferretti" motor yachts in Southern China with good sales potential. The Group will continue to secure more distributorship of luxurious brands as it will reinforce our Group's commitment as a distribution conglomerate of life style products, with satisfactory profit margins.

The Group is also considering ways to increase the profit contribution of our single largest fixed asset, the Wo Kee Hong Building in Hong Kong, which currently has a gross floor space of 433,482 sq.ft. on a land of 73,195 sq.ft. Changing of its usage is being considered. In the meantime, the rental income of this building and our other properties continues to improve.

Also, we are seeing good progress in rationalising our investment in Jin Ling Electrical Company Limited, that may minimise the possibility of future loss to the Group.

**Richard Man Fai LEE***Executive Chairman & CEO*

Hong Kong, April 11, 2006

**展望 (續)**

空調業務將維持其銷售額及利潤水平。「北極牌」加入吾等之電器產品陣容後，有望籍洋酒恆溫櫃等獨特產品締造更高毛利。此外，透過特許之品牌授權，本集團亦可開發新產品提高銷售量。吾等之「先力」品牌將開發新型時尚生活產品，例如按摩椅等。

本集團之「樂爵士」品牌影音產品將開發更特別、毛利更高之產品，以同時提高產品形象及利潤水平。吾等將致力開拓「樂爵士」於中國大陸及海外市場之分銷。今年吾等將嘗試開拓音樂軟件市場，並已設立「Rogers Music」品牌，從事音樂出版及藝人管理事務。

分銷更多高級奢侈品牌乃集團之經營方向，奪取意大利「法拉帝」機動游艇於良好銷售潛力之華南地區的分銷權，即是良好開端。本集團將盡力繼續爭取更多高級奢侈品牌分銷權，以加強本集團分銷多元化產品之地位，並帶來豐沛之毛利。

本集團亦計劃增加位於香港的和記行大廈之盈利貢獻。此乃本集團最大的單一固定資產，佔地73,195平方呎，總面積433,482平方呎。吾等正考慮將大廈用途改變。現時，該大廈及吾等之其他物業之租金收入正持續增加。

此外，吾等在調整於金羚電器有限公司投資之方案正取得良好進展，將對本集團帶來之損失降至最低。

執行主席兼行政總裁

**李文輝**

香港，二零零六年四月十一日