

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 provides corporate management services. The activities of its principal subsidiaries are set out in note 34 to the financial statements.

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 17.

An interim dividend of 2 cents per share amounting to HK\$5.7 million was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 4 cents per share to the shareholders on the register of members on 14th May, 2001, amounting to HK\$11.4 million.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in notes 20 to 22 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 45.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year end date. The revaluation resulted in a deficit of HK\$500,000, which has been charged directly to the consolidated income statement. Details of the revaluation are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its replacement policy on plant, machinery and moulds and expended HK\$9.7 million thereon during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

A bonus issue of shares was made to shareholders on the register of members on 15th May, 2000 on the basis of one bonus share for every ten existing shares then held.

SHARE CAPITAL AND SHARE OPTIONS *(Cont'd)*

Further details in relation to the share capital and share options of the Company are set out in note 19 to the financial statements.

DIRECTORS

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

Executive directors

Mr. Poon Siu Chung

(Chairman and Managing Director)

Mr. Leung Ying Wai, Charles

(Deputy Managing Director)

Mr. Ip Siu On

Mr. Tsui Yan Lee, Benjamin

Mr. Toshiki Takei

Mr. Chan Kam Shui

(resigned on 19th February 2001)

Independent non-executive directors

Mr. Ng Siu Yu, Larry

Mr. Tong Wui Tung

In accordance with Clause 99(B) of the Company's bye-laws, Mr. Leung Ying Wai, Charles and Mr. Toshiki Takei retire by rotation and, being eligible, offer themselves for re-election.

All non-executive directors have been appointed for a term of one year.

No director 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' INTERESTS IN SHARES

At 31st December, 2000, the interests of the directors 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") were as follows:

DIRECTORS' INTERESTS IN SHARES (Cont'd)

Directors	Number of shares held	
	Personal interests	Corporate and family interests
Mr. Poon Siu Chung (Note a)	6,232,000	101,757,630
Mr. Leung Ying Wai, Charles (Note b)	–	62,097,200
Mr. Ip Siu On	9,103,600	–
Mr. Tsui Yan Lee, Benjamin	5,411,000	–
Mr. Toshiki Takei	–	25,825,800
Mr. Chan Kam Shui	2,995,300	–
Mr. Ng Siu Yu, Larry	880,000	–

Notes:

- (a) Mr. Poon Siu Chung has a corporate and family interest in 101,757,630 shares, representing more than 10 % of the shares in issue. The said shares are owned by Mime Limited, a limited company incorporated in Hong Kong and owned as to 55 % by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.
- (b) Mr. Leung Ying Wai, Charles has a corporate and family interest in 62,097,200 shares, representing more than 10 % of the shares in issue. The said shares are owned by Nielsen Limited, a limited company incorporated in Hong Kong and owned by Mr. Leung Ying Wai, Charles, his spouse, Ms. Tai Yee Foon, and his family members.
- (c) Mr. Poon Siu Chung, his spouse Ms. Lau Kwai Ngor and Ms. Tai Yee Foon (spouse of Mr. Leung Ying Wai, Charles) are also interested in 200, 200 and 400 non-voting deferred shares respectively of HK\$100 each in a subsidiary of the Company, Perfectech International Limited.
- (d) Mr. Poon Siu Chung, his spouse Ms. Lau Kwai Ngor, Mr. Chan Kam Shui, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin are also interested in 60,800, 20,800, 20,800, 28,800 and 28,800 non-voting deferred shares respectively of HK\$1 each in a subsidiary of the Company, Sunflower Garland Manufactory Limited.

Save as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in note 19 to the financial statements.

Details of the movements during the year in the options granted to the directors on 4th October, 1999 to subscribe for shares in the Company at an exercise price of HK\$0.72 per share, exercisable from 4th April, 2000 to 29th September, 2002 are as follows:

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES *(Cont'd)*

Name of directors	At 1.1.2000	Number of share options exercised during the year	At 31.12.2000
Mr. Poon Siu Chung	900,000	900,000	—
Mr. Ip Siu On	2,000,000	2,000,000	—
Mr. Tsui Yan Lee, Benjamin	2,000,000	2,000,000	—
Mr. Chan Kam Shui	300,000	300,000	—

Save 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, and none of the directors, 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' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

On 10th March, 2000, Perfectech International Limited ("Perfectech"), a wholly-owned subsidiary of the Company, renewed a tenancy agreement to rent the following premises from Nice Step Investment Limited, a company controlled by Mr. Leung Ying Wai, Charles, a substantial shareholder and director of the Company:

- (i) premises at the 3rd floor (with gross floor area of approximately 5,070 sq. ft.) and car parking space No.7 on the ground floor of Perfectech Centre, 64 Wong Chuk Hang Road, Hong Kong. The tenancy is for a period of three years commencing from 20th April, 2000 at a monthly rent of HK\$24,815.
- (ii) premises at the 2nd floor (with gross floor area of approximately 5,070 sq. ft.) and car parking space No.8 on the ground floor of Perfectech Centre, 64 Wong Chuk Hang Road, Hong Kong. The tenancy is for a period of three years commencing from 20th April, 2000 at a monthly rent of HK\$24,815.
- (iii) premises at the 4th floor (with gross floor area of approximately 3,096 sq. ft.), flat roof at the 4th floor (with gross floor area of approximately 1,963 sq. ft.) and car parking space No.4 on the ground floor of Perfectech Centre, 64 Wong Chuk Hang Road, Hong Kong. The tenancy is for a period of three years commencing from 20th April, 2000 at a monthly rent of HK\$20,447.

During the year, the Group paid rental expenses of approximately HK\$999,000 to Nice Step Investment Limited, a company controlled by Mr. Leung Ying Wai, Charles, a substantial shareholder and director of the Company.

In addition, the Group paid rental expenses of HK\$168,000 to Mr. Poon Siu Chung, a substantial shareholder and director of the Company.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS *(Cont'd)*

During the year, the Group issued guarantees to financial institutions to secure general banking facilities granted to the Group including its subsidiaries which are not wholly-owned by the Group, known as Perfectech Paper Products Company Limited ("Paper"), Perfectech Printing Company Limited ("Printing"), Benefit Packing Materials Limited ("Benefit") and Perfectech Plastics Limited ("Plastics"). Details of the guarantees as at 31st December, 2000 are as follows:

Subsidiaries connected	In favour of	Guarantee amount <i>HK\$</i>	Amount utilised <i>HK\$</i>
Printing	Standard Chartered Bank	38,800,000	—
Benefit and Paper	Standard Chartered Bank	33,800,000	—
Benefit and Paper	Dao Heng Bank Limited	20,000,000	—
Benefit and Paper	ING Bank	25,500,000	—
Benefit, Paper and Plastics	BNP PARIBAS	32,750,000	—
Benefit	CITIC Ka Wah Bank	40,000,000	—
Benefit, Paper, Plastics and Printing	The Hong Kong and Shanghai Banking Corporation Limited	90,000,000	86,000

During the year, the Group paid professional fees to Messrs. Cheung, Tong & Rosa, legal advisers to the Company on Hong Kong law, in connection with services rendered to the Group. Mr. Tong Wui Tung and Ms. Pang Siu Yin, an independent non-executive director and Company Secretary of the Company respectively, are partners of Messrs. Cheung, Tong & Rosa.

During the year, the Group paid printing fees to Run All Limited in connection with its services rendered to the Group. Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has a beneficial interest in that company.

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

Save as disclosed above, no other 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in section under "Directors' Interests in Shares", the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st December, 2000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied throughout the year 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.

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

Poon Siu Chung
Chairman & Managing Director

Hong Kong, 9th April, 2001