

15. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Equity securities						
Listed, Hong Kong	3,678	6,006	–	–	3,678	6,006
Unlisted	–	–	38	–	38	–
	<u>3,678</u>	<u>6,006</u>	<u>38</u>	<u>–</u>	<u>3,716</u>	<u>6,006</u>
Market value of listed securities	<u>3,678</u>	<u>6,006</u>			<u>3,678</u>	<u>6,006</u>
Carrying amount analysed for reporting purposes as:						
Current	3,678	6,006	–	–	3,678	6,006
Non-current	–	–	38	–	38	–
	<u>3,678</u>	<u>6,006</u>	<u>38</u>	<u>–</u>	<u>3,716</u>	<u>6,006</u>

Other securities represent 2% equity interest in HK Finance.Com Limited acquired at a consideration of approximately HK\$7,208,000. Due to the changes in market condition, the directors consider that there has been a decline in the recoverable amount of these securities and an impairment loss of approximately HK\$7,170,000 has been recognised in the financial statements, thus reducing the carrying amount to approximately HK\$38,000.

16. INVENTORIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials		
Work in progress	45,299	49,632
Finished goods	1,840	2,442
	<u>14,426</u>	<u>9,571</u>
	<u>61,565</u>	<u>61,645</u>

Included above are raw materials and finished goods of approximately HK\$404,000 (1999: Nil) and HK\$5,666,000 (1999: HK\$7,466,000), respectively, which are stated at net realisable value.

17. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
0-60 days	32,926	45,195
61-90 days	12,632	17,592
91-120 days	8,562	11,056
> 120 days	10,862	11,070
	<u>64,982</u>	<u>84,913</u>

18. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
0-60 days	10,958	16,303
61-90 days	3,474	2,836
91-120 days	1,242	1,738
> 120 days	627	851
	<u>16,301</u>	<u>21,728</u>

19. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each				
At 1st January	700,000	700,000	25,154	22,449
Issue of bonus shares	—	—	2,599	—
Issue of shares on exercise of share options	—	—	840	—
Issue of shares on exercise of warrants	—	—	—	2,853
Repurchase of shares	—	—	—	(148)
At 31st December	<u>700,000</u>	<u>700,000</u>	<u>28,593</u>	<u>25,154</u>

19. SHARE CAPITAL (Cont'd)

Bonus shares were issued to shareholders whose names appeared on the register of members on 15th May, 2000 on the basis of one bonus share for every ten existing shares then held.

All shares issued by the Company during the year rank pari passu with the then existing shares in all respects.

Share options

Under the terms of the Share Option Scheme which became effective on 30th September, 1992, the board of directors of the Company may offer to any director, full time employee or chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

On 4th October, 1999, a total of 8,400,000 options were granted pursuant to the Share Option Scheme to certain directors and employees of the Company to acquire the same number of shares of HK\$0.1 each in the Company at any time between 4th April, 2000 and 29th September, 2002 at an exercise price of HK\$0.72 per share. All of these share options were exercised in 2000 resulting in issue of 8,400,000 shares of HK\$0.1 each in the Company.

No options under the Share Option Scheme were granted during the year.

Warrants

In 1999, the registered holders of 28,532,300 warrants exercised their rights to subscribe for 28,532,300 shares of HK\$0.1 each in the Company at a subscription price of HK\$0.664 per share. The remaining 8,185,925 warrants lapsed in that year.

No warrants were issued by the Company during the year and accordingly, no warrants were outstanding at 31st December, 2000.

20. ACCUMULATED PROFITS

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At 1st January	104,273	71,430	3,401	822
Repurchase of shares	—	(1,323)	—	—
Profit for the year	28,102	51,832	31,401	20,245
Dividends	(17,575)	(17,666)	(17,575)	(17,666)
At 31st December	<u>114,800</u>	<u>104,273</u>	<u>17,227</u>	<u>3,401</u>

21. INVESTMENT PROPERTY REVALUATION RESERVE

	THE GROUP	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January		
Deficit on revaluation	–	266
	–	(266)
At 31st December	<u>–</u>	<u>–</u>

22. SHARE PREMIUM AND OTHER RESERVES

	Share premium	Capital redemption reserve	Contributed surplus	Translation reserve	Goodwill reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP						
At 1st January, 1999	36,171	788	–	49	(1,013)	35,995
Goodwill arising on acquisition of additional interest in a subsidiary	–	–	–	–	(57)	(57)
Translation of financial statements of an overseas subsidiary	–	–	–	(9)	–	(9)
Issue of shares on exercise of warrants	16,092	–	–	–	–	16,092
Repurchase of shares	–	148	–	–	–	148
At 31st December, 1999	<u>52,263</u>	<u>936</u>	<u>–</u>	<u>40</u>	<u>(1,070)</u>	<u>52,169</u>
Negative goodwill arising on acquisition of additional interest in a subsidiary	–	–	–	–	24	24
Issue of shares on exercise of share options	5,208	–	–	–	–	5,208
Issue of bonus shares	(2,599)	–	–	–	–	(2,599)
At 31st December, 2000	<u>54,872</u>	<u>936</u>	<u>–</u>	<u>40</u>	<u>(1,046)</u>	<u>54,802</u>
THE COMPANY						
At 1st January, 1999	36,171	788	23,212	–	–	60,171
Issue of shares on exercise of warrants	16,092	–	–	–	–	16,092
Repurchase of shares	–	148	(1,323)	–	–	(1,175)
At 31st December, 1999	<u>52,263</u>	<u>936</u>	<u>21,889</u>	<u>–</u>	<u>–</u>	<u>75,088</u>
Issue of shares on exercise of share options	5,208	–	–	–	–	5,208
Issue of bonus shares	(2,599)	–	–	–	–	(2,599)
At 31st December, 2000	<u>54,872</u>	<u>936</u>	<u>21,889</u>	<u>–</u>	<u>–</u>	<u>77,697</u>

22. SHARE PREMIUM AND OTHER RESERVES (Cont'd)

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contributed surplus	21,889	21,889
Accumulated profits	17,227	3,401
	<u>39,116</u>	<u>25,290</u>

23. BANK BORROWINGS

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Bank loans, unsecured	–	2,657
Bank overdrafts, unsecured	231	152
	<u>231</u>	<u>2,809</u>

The maturity of the above bank borrowings is as follows:

On demand or within one year	231	1,090
More than one year but not exceeding two years	–	938
More than two years but not exceeding five years	–	781
	<u>231</u>	<u>2,809</u>
Less : Amounts due within one year shown under current liabilities	(231)	(1,090)
Amounts due after one year	<u>–</u>	<u>1,719</u>

24. DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred taxation liabilities (assets) are as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	2,526	4,457	–	–
Taxation losses	(1,120)	(674)	–	–
	<u>1,406</u>	<u>3,783</u>	<u>–</u>	<u>–</u>

No provision for deferred taxation has been recognised in the financial statements in respect of timing differences as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future, after taking into account the Group's medium-term financial plans and projections.

The amount of the unprovided deferred tax (credit) charge for the year is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Difference between tax allowances and depreciation	(1,931)	545	–	–
Taxation losses	(446)	1,098	–	133
	<u>(2,377)</u>	<u>1,643</u>	<u>–</u>	<u>133</u>

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 <i>HK\$ '000</i>	1999 <i>HK\$ '000</i>
Profit before taxation	32,573	59,656
Interest income	(1,036)	(701)
Interest expense	2,733	4,021
Interest on obligations under hire purchase contracts	207	301
Depreciation and amortisation	16,701	16,904
Deficit arising on revaluation of investment properties	500	434
Gain on disposal of property, plant and equipment	(121)	(14)
Dividends from trading securities	(162)	(74)
Loss (gain) on disposal of trading securities	2,081	(222)
Unrealised losses on trading securities	1,728	140
Impairment loss recognised in respect of other securities	7,170	–
Decrease (increase) in inventories	80	(6,463)
Decrease (increase) in trade and other receivables	15,858	(11,755)
(Decrease) increase in trade and other payables	(5,174)	6,521
Decrease in bills payable	(2,586)	(43,784)
Decrease in amount due to a director	–	(608)
(Decrease) increase in amount due to a minority shareholder of a subsidiary	(410)	729
	<u>70,142</u>	<u>25,085</u>
Net cash inflow from operating activities	<u>70,142</u>	<u>25,085</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$ '000</i>	Bank loans <i>HK\$ '000</i>	Obligations under hire purchase contracts <i>HK\$ '000</i>	Minority interests <i>HK\$ '000</i>
At 1st January, 1999	58,620	3,595	877	3,010
Net cash inflow (outflow) during the year	18,945	(938)	(856)	–
Transfer to capital redemption reserve	(148)	–	–	–
Dividends paid to minority shareholders	–	–	–	(969)
Change of equity interest in a subsidiary	–	–	–	(143)
Minority share of profit for the year	–	–	–	2,679
	<u>77,417</u>	<u>2,657</u>	<u>21</u>	<u>4,577</u>
At 31st December, 1999	77,417	2,657	21	4,577
Net cash inflow (outflow) during the year	6,048	(2,657)	(21)	–
Dividends paid to minority shareholders	–	–	–	(1,834)
Change of equity interest in a subsidiary	–	–	–	(344)
Minority share of profit for the year	–	–	–	758
	<u>83,465</u>	<u>–</u>	<u>–</u>	<u>3,157</u>
At 31st December, 2000	83,465	–	–	3,157

27. CONTINGENT LIABILITIES

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31st December, 2000 amounted to approximately HK\$558,000 (1999: HK\$5,722,000).

28. LONG SERVICE PAYMENTS

At 31st December, 2000, the Group had a number of employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31st December, 2000 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$4.3 million (1999: HK\$4 million). No provision has been made in the financial statements in respect of such long service payments.

29. CAPITAL COMMITMENTS

Neither the Group nor the Company had any material capital commitments at 31st December, 2000 or 31st December, 1999.

30. LEASE COMMITMENTS

At the balance sheet date, the Group had the following outstanding annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	168	827
In the second to fifth year inclusive	1,499	1,086
Over five years	1,208	1,208
	<u>2,875</u>	<u>3,121</u>

31. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

31. RETIREMENT BENEFITS SCHEME (Cont'd)

The retirement benefits cost charged to income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

In light of the introduction of the Mandatory Provident Fund ("MPF") Scheme, the Group has also participated in an approved MPF scheme with the HSBC Provident Fund Trustee (Hong Kong) Limited effective 1 December 2000 to provide MPF scheme to all employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

The Group's contributions to the retirement benefits scheme, net of forfeited contributions of approximately HK\$19,000 (1999: HK\$28,000), for the year amounted to approximately HK\$346,000 (1999: HK\$384,000). At 31st December, 2000 and 31st December, 1999, there were no forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in the future years.

32. SUBSEQUENT EVENT

On 2nd March and 5th March, 2001, the Company repurchased 680,000 and 230,000 shares through the Stock Exchange at a consideration of approximately HK\$538,000 and HK\$180,000, respectively.

33. RELATED PARTY TRANSACTIONS

During the year, the group companies entered into the following significant transactions with related parties who are not members of the Group:

	2000 HK\$'000	1999 HK\$'000
Rental expenses paid to:		
Nice Step Investment Limited	999	1,317
Mr. Poon Siu Chung	168	168
Professional fees paid to Messrs. Cheung, Tong & Rosa	287	174
Printing fees paid to Run All Limited	457	233
	<u> </u>	<u> </u>

Mr. Leung Ying Wai, Charles, a substantial shareholder and a director of the Company, has beneficial interest in Nice Step Investment Limited.

Mr. Tong Wui Tung, an independent non-executive director of the Company, is a partner of Messrs. Cheung, Tong & Rosa, the legal advisers of the Group.

Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interest in Run All Limited.

33. RELATED PARTY 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. The extent of such facilities utilised by these non-wholly-owned subsidiaries at 31st December, 2000 amounted to approximately HK\$86,000 (1999: HK\$5,722,000).

The above transactions were determined by the directors on the basis of estimated market value.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/ registered capital held by the Company		Paid up issued/ registered ordinary share capital	Principal activities
		Directly	Indirectly		
Benefit Packing Materials Limited	Hong Kong	–	75%	HK\$1,000,000	Trading of PVC films
Link Faith Company Limited	Hong Kong	–	100%	HK\$100,000	Security investment
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK\$320,000	Manufacture of novelties, festival decorations and packaging products
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK\$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	British Virgin Islands	–	100%	US\$1	Investment holding
Perfectech International (B.V.I.) Limited	British Virgin Islands	100%	–	US\$50	Investment holding
Perfectech International (China) Limited	The People's Republic of China	–	100%	HK\$2,000,000	Manufacture of novelties and festival decorations
Perfectech International Limited	Hong Kong	–	100%	HK\$200 (ordinary shares)	Investment holding
		–	–	HK\$80,000 (non-voting deferred shares)	

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/ registered capital held by the Company		Paid up issued/ registered ordinary share capital	Principal activities
		Directly	Indirectly		
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK\$450,000	Manufacture of PVC blister and box
Perfectech International Trading Limited	Hong Kong	–	100%	HK\$2	Trading of novelties, festival decorations and packaging products
Perfectech Paper Products Company Limited	Hong Kong	–	99%	HK\$1,000,000	Manufacture of paper products
Perfectech Plastics Limited	Hong Kong	–	75%	HK\$1,000,000	Trading of plastic materials
Perfectech Printing Company Limited	Hong Kong	–	90%	HK\$1,000,000	Printing
iTech Limited	Hong Kong	–	100%	HK\$2	Investment holding
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK\$2 (ordinary shares) HK\$160,000 (non-voting deferred shares)	Property investment

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for the activities of Perfectech International (China) Limited which is operated in the People's Republic of China, all principal activities of subsidiaries are carried out in Hong Kong.

None of the subsidiaries had any loan capital outstanding at the end of the year.