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## INTERIM RESULTS

The directors of Perfectech International Holdings Limited (the “Company”) are pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2001 and the comparative figures in 2000 were as follows: –

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2001	2000
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	121,390	173,806
Cost of sales		(91,312)	(134,415)
		<hr/>	<hr/>
Gross profit		30,078	39,391
Other expenses	3	(210)	(1,722)
Distribution costs		(6,634)	(9,457)
Administrative expenses		(14,420)	(13,572)
		<hr/>	<hr/>
Profit from operations	4	8,814	14,640
Finance costs		(259)	(947)
		<hr/>	<hr/>
Profit before taxation		8,555	13,693
Taxation	5	(986)	(1,647)
		<hr/>	<hr/>
Profit after taxation		7,569	12,046
Minority interests		(241)	(656)
		<hr/>	<hr/>
Profit for the period		<u>7,328</u>	<u>11,390</u>
Dividends	6	<u>5,583</u>	<u>6,139</u>
Earnings per share	7		
Basic		<u>2.57 cents</u>	<u>4.05 cents</u>
Diluted		<u>N/A</u>	<u>4.02 cents</u>

Other than the profit for the period, the Group had no recognized gains or losses. Accordingly, a Statement of Recognized Gains and Losses is not presented in the financial statements.

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30th June, 2001 (unaudited) HK\$'000</b>	<b>31st December, 2000 (audited) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties		4,800	4,800
Property, plant and equipment	8	61,701	64,822
Investment in securities		38	38
		<hr/> 66,539	<hr/> 69,660
<b>CURRENT ASSETS</b>			
Inventories		93,990	61,565
Trade and other receivables	9	84,338	71,253
Investment in securities		14,360	3,678
Taxation recoverable		–	923
Bank balances and cash		13,410	29,016
		<hr/> 206,098	<hr/> 166,435
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	39,210	22,429
Bills payable		26,204	327
Amount due to a minority shareholder of a subsidiary		312	319
Taxation payable		63	–
Proposed dividends		5,661	11,437
Bank borrowings – due within one year		–	231
		<hr/> 71,450	<hr/> 34,743
<b>NET CURRENT ASSETS</b>		<hr/> 134,648	<hr/> 131,692
		<hr/> <hr/> 201,187	<hr/> <hr/> 201,352
<b>CAPITAL AND RESERVES</b>			
Share capital	11	28,307	28,593
Accumulated profits	12	114,394	114,800
Share premium and other reserves	13	55,088	54,802
		<hr/> 197,789	<hr/> 198,195
<b>MINORITY INTERESTS</b>		<hr/> 3,398	<hr/> 3,157
		<hr/> <hr/> 201,187	<hr/> <hr/> 201,352

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2001 (unaudited) HK\$'000	2000 (unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14,565	25,219
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(10,330)	(13,906)
TAXATION	–	(147)
INVESETING ACTIVITIES	(17,459)	(22,512)
	<hr/>	<hr/>
NET CASH OUTFLOW BEFORE FINANCING FINANCING	(13,224) (2,151)	(11,346) 5,558
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(15,375)	(5,788)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	28,785	8,312
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30TH JUNE	13,410	2,524
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	13,410	2,678
Bank overdrafts	–	(154)
	<hr/>	<hr/>
	13,410	2,524
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of preparation of accounts

The unaudited consolidated interim financial statements of the Group have been prepared in compliance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”, and on a basis consistent with the accounting policies adopted in the Group’s annual financial statements for the year ended 31st December, 2000.

#### b. Comparative figures

Certain comparative figures have been reclassified as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group’s operating results.

## 2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period.

The Group's turnover and contribution to profit before taxation, analysed by principal activity and geographical market, were as follows:

	Turnover		Contribution to profit before taxation	
	For the six months ended 30th June,			
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacture and sales of novelties and decorations	34,531	44,722	5,757	7,701
Manufacture and sale of packaging products	62,062	78,005	3,583	6,734
Trading of PVC films and plastic materials	24,797	51,079	43	1,830
	<u>121,390</u>	<u>173,806</u>	9,383	16,265
Other expenses			(210)	(1,722)
Unallocated corporate expenses			(618)	(850)
Profit before taxation			<u>8,555</u>	<u>13,693</u>
By geographical market:				
Hong Kong	91,070	130,220	4,409	8,659
Europe	11,745	19,074	1,997	3,433
America	17,786	22,396	2,846	3,807
Asia (other than Hong Kong)	597	1,851	99	318
Other	192	265	32	48
	<u>121,390</u>	<u>173,806</u>	9,383	16,265
Other expenses			(210)	(1,722)
Unallocated corporate expenses			(618)	(850)
Profit before taxation			<u>8,555</u>	<u>13,693</u>

### 3. OTHER EXPENSES

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Dividend from trading securities	138	61
Interest income	1,150	277
Rental income	326	346
(Loss) gain on disposal of fixed assets	(10)	146
Gain on disposal of trading securities	435	432
Unrealized loss on trading securities	(2,250)	(3,000)
Others	1	16
	<u>          </u>	<u>          </u>
	<u>(210)</u>	<u>(1,722)</u>

### 4. PROFIT FROM OPERATIONS

Profit from operations has been arrived after charging:

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest expenses	259	947
Depreciation	8,073	8,603
	<u>          </u>	<u>          </u>

### 5. TAXATION

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	986	1,647
	<u>          </u>	<u>          </u>

Hong Kong Profits tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

## 6. DIVIDENDS

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK\$2 cents (2000: HK\$2 cents) per share	5,661	5,719
Over-provision of prior year's dividend due to repurchase of shares before closure of the Register of Members for dividend	(78)	–
Additional prior year's dividend paid on exercise of share options subsequent to the issue of the annual report	–	420
	<u>5,583</u>	<u>6,139</u>

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the period of HK\$7,328,000 (2000: HK\$11,390,000) and the following data:

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	284,628,070	281,108,531
Effect of dilutive potential ordinary share: Options	–	2,331,195
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>284,628,070</u>	<u>283,439,726</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$4,976,000 (year ended 31st December, 2000 : HK\$14,771,000).

## 9. 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:

	<b>30th June, 2001</b>	<b>31st December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	52,416	32,926
61-90 days	7,617	12,632
91-120 days	7,607	8,562
> 120 days	4,925	10,862
	<u>72,565</u>	<u>64,982</u>

## 10. TRADE AND OTHER PAYABLES

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

	<b>30th June, 2001</b>	<b>31 st December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	17,573	10,958
61-90 days	3,534	3,474
91-120 days	979	1,242
> 120 days	264	627
	<u>22,350</u>	<u>16,301</u>

## 11. SHARE CAPITAL

	<b>Authorised</b>	<b>Issued and fully paid</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
At 1st January, 2001	700,000	28,593
Repurchase of shares	—	(286)
At 30th June, 2001	<u>700,000</u>	<u>28,307</u>

## 12. ACCUMULATED PROFITS

	<i>HK\$'000</i>
At 1 st January, 2001	114,800
Repurchase of shares	(2,151)
Profit for the period	7,328
Dividends	(5,583)
At 30th June, 2001	<u>114,394</u>



### 13. SHARE PREMIUM AND OTHER RESERVES

	Share Premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	goodwill reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>					
At 1st January, 2001	54,872	936	40	(1,046)	54,802
Repurchase of shares	–	286	–	–	286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2001	<u>54,872</u>	<u>1,222</u>	<u>40</u>	<u>(1,046)</u>	<u>55,088</u>

### OTHER INFORMATION

#### INTERIM DIVIDEND

The directors have resolved to declare an interim dividend for the six months ended 30th June, 2001 of HK\$2 cents per share (2000: HK\$2 cents) payable on or about 12th October, 2001 to shareholders on the register of members of the Company (the “Register of Members”) on 11th October, 2001.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9th October, 2001 to 11th October, 2001, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Share Registrar, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 8th October, 2001.

#### BUSINESS REVIEW

During the period, the total turnover of the Group decreased by about 30% to HK\$121,390,000, while the net profit decreased by about 36% to HK\$7,328,000.

Due to the slowdown of the US economy, the global economic atmosphere was adversely affected. As a result, all three segments of the Group recorded substantial decreases in both turnover and contribution. The decrease in turnover in both segments of novelties and decoration, and packaging products was about 20%. Since the economy in Hong Kong was still quite bad, bankruptcy and winding-up were very common, in order to protect its shareholders’ interests, the Group tightened its credit policy. As a result, the turnover of trading activities dropped substantially by more than 50%.

Due to the keen competition in the packaging products market, such as carton box, printing products and PVC vacuum forming products, both turnover and profit margin for the segment were weakened. Nevertheless, with the Group’s high production capacity and excellent experience in the industry, the Group is confident that the results of the segment would be improved in the second half of the year.

Since the global economy slows down, and customers delay their orders and shipments until the “last minute”, the turnover of novelties and decorations in the first half of the year also dropped. Nevertheless, the net profit margin was maintained. It is anticipated that the results of the segment will be better in the second half of the year.

With available funds on hand, the Group always seeks any suitable investment opportunities. In July and August 2001, the Group has invested about HK\$4 million in the securities of three unlisted companies in different industries as long term investment. This is consistent with the strategy of the Group to diversify its investments and continue the development of its core businesses simultaneously.

## **FUTURE PLAN AND PROSPECT**

The Governments of the Hong Kong Special Administration Region and Guangdong Province recently announced that plans for future cooperation of development in the region of Nansha in Guangdong Province, which is close to Zhongshan and Zhuhai - where the Group’s two production facilities are located, were now under study. Since the Group has been investing there for about 20 years, with sufficient funds on hand, its invaluable experience in the region and good relationship with the local authorities, it is in the interest of the Group and is the Group’s present strategy to search for more investment opportunities in the region. The directors are optimistic that the Group will be benefited from the development in the region of Nansha by the two Governments.

Even though the global economy is slowing down, as the Group has established a good relationship with its customers, and hence a stable base of demand for the Group’s products, the directors are confident that the results of the Group will be improved in the second half of 2001.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th June, 2001, the Group had neither long term bank borrowings nor short term bank borrowings (31st December, 2000: HK\$231,000), and the gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was nil (31st December, 2000: 0.12%). At balance sheet date, the Group had bank balances and cash of HK\$13,410,000 (31st December, 2000: HK\$29,016,000).

None of the assets of the Group had been pledged as at 30th June, 2001.

## **DIRECTORS’ INTERESTS IN SHARES**

At 30th June, 2001, the interests of the directors and associates in the share capital of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

<b>Directors</b>	<b>Number of shares held</b>	
	<b>Personal interests</b>	<b>Corporate and family interests</b>
Mr. Poon Siu Chung ( <i>Note a</i> )	6,232,000	101,757,630
Mr. Leung Ying Wai, Charles ( <i>Note b</i> )	–	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. 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. Of these shares, 618,200 shares are held in trust for others.
- (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. Ip Siu On, and Mr. Tsui Yan Lee, Benjamin are also interested in 60,800, 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 interest 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**

Save as disclosed above, at no time during the period 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 share 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 period.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in section "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 30th June, 2001.

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

During the six months ended 30th June, 2001, details of shares repurchased by the Company were as follows:

<b>Month of repurchase</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate consideration paid before expenses</b> <i>HK\$'000</i>
March 2001	910,000	0.80	0.78	719
April 2001	1,060,000	0.78	0.72	789
May 2001	890,000	0.71	0.70	628
	<hr/> <u>2,860,000</u>			<hr/> <u>2,136</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

### **AUDIT COMMITTEE**

The members of the audit committee comprise two independent non-executive directors of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30th June, 2001 of the Company now reported on.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the period with the Code of Best Practice as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On behalf of the Board  
**Poon Siu Chung**  
*Chairman & Managing Director*

Hong Kong, 17th September, 2001