

Chairman's Statement

RESULTS

The Directors are pleased to announce that the audited consolidated results for the year ended 31st December, 2001. Total turnover for the year amounted to HK\$336,287,000 (2000: HK\$416,551,000). The net profit for the year stood at HK\$28,767,000 (2000: HK\$28,019,000).

FINAL DIVIDEND

The directors recommend the payment of a final dividend for the year ended 31st December, 2001 of 4.5 cents per share (2000: 4 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 17th May, 2002. This dividend together with the interim dividend of 2 cents per share (2000: 2 cents per share), will make a total of 6.5 cents per share for the year (2000: 6 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 21st May, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15th May, 2002 to 17th May, 2002, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on 14th May, 2002.

BUSINESS REVIEW

During the year, the turnover of the Group was decreased by 19% to HK\$336,287,000, while the net profit for the year was HK\$28,767,000 representing a slight increase of about 3%.

The substantial decrease in turnover was mainly due to the slowdown of the US economy and the "911" Attacks, which had an adverse impact on the global economy. Further, the Group's policy to tighten the credit limit for open account customers also led to the sharp fall of more than HK\$36,000,000 in the turnover of trading activities.



Due to the tremendous efforts made in the previous years by the Group in controlling the costs of production together with the decrease in finance expenses resulting from the Group's efforts to minimize the level of debts. The net profit for the year was slightly increased by about 3% in spite of the decrease in turnover by about 19%. The Group is determined to continue improving its production efficiency through cost control, resources reallocation and any other methods.

Novelties and decorations

The turnover of this sector was decreased by about 13%. Such decrease was mainly due to the decrease of turnover in the European market, as a result of 911 Attacks and the over-purchase of millennium products in previous years, while the American market remained quite stable.



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Nevertheless, in view of the opinions the Group obtained from our customers recently, the Group is optimistic that the performance of the segment will continue to improve, and a substantial growth in turnover is anticipated.

Packaging products

The turnover of packaging products was also decreased by about 13%, while the segment result was decreased by about 22%. Both decreases in turnover and segment result were resulted from the keen competition in corrugated cardboard business, while the businesses of PVC packaging products and printing products remained stable.

In order to cater for the estimated increase in demand and to enjoy further benefits from economies of scale, new machines were purchased and/or contracted for purchase after balance sheet date, it is expected that the performance of the segment will improve in 2002.



Trading activities

The turnover of the trading of PVC film and plastic materials dropped sharply by about 40%, as a result of the Group's policy as stated in the interim report, and recorded a net loss for the year. It was a tough year for the trading activities, since the local economy continued to be sluggish during the year. Risk was relatively much higher than other segments, the bad debts arising from trading business accounted for 0.31% of the Group's total turnover, while the Group's total bad debts to turnover was about 0.58%. Since it is anticipated that the local economy will not recover very soon, the Group will continue to adopt such a tightened credit policy in trading business.

Investments

To make best use of the available cash on hand, the Group has invested in the securities of several unlisted companies in different industries as long-term investments. As at 31st December, 2001, the total of such investment was about HK\$4 million. Half of these investments were held in the convertible notes, which would provide regular income to the Group.

Investments in listed securities were held for short-term purposes for the capital gain in the value of such securities. As at the balance sheet date, the market value of the investment in listed securities was about HK\$8,097,000 in aggregate.



During the year, the Group in order to consolidate its control in Perfectech Plastics Limited ("Plastics"), acquired the remaining 25% shareholding in its subsidiary, Plastics, which is engaged in the trading of plastic materials. The consideration involved was HK\$250,000, which was determined by reference to the then net asset value of Plastics attributable to the shareholding acquired. Subsequent to the acquisition, Plastics became a wholly owned subsidiary of the Group.

Liquidity and financial resources

The Group had neither long-term bank borrowings nor short term bank borrowings outstanding as at 31st December, 2001 (2000: HK\$231,000), and no charge has been made on any assets of the Group. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity, was nil for the year (2000: 0.11%).

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At balance sheet date, the Group had bank balances and cash in aggregate of HK\$47,213,000 (2000: HK\$29,016,000).

With an aggregate of HK\$175 million in cash and other current assets as at 31st December, 2001 as well as available banking facilities, the Group consider that it has sufficient financial resources to satisfy its commitments and working capital requirements.

Net Asset value

The net asset value of the Group as at 31st December, 2001 was HK\$0.78 per share based on the actual number of 283,071,607 shares in issue on that date.

FUTURE PLAN & PROSPECT

With available funds on hand, the Group continues to look for good investment opportunities and after 31st December, 2001, the Group has further invested about HK\$2 million in the convertible notes and preferred stock of two unlisted companies.

At the same time, the Group also concentrates on its own core businesses. After balance sheet date, the Group has already purchased and/or contracted to purchase plant and machineries in an aggregate of about HK\$5 million in order to increase the production capacities both in novelties and festival decorations, and packaging products. The Group plans to expand its core businesses gradually with available internal resources.

In view of the market atmosphere and customer demand for the Group's products at the present moment, the Directors are confident and optimistic that the performance of the Group in 2002 will be improved.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2001, the Group employs approximately 1,350 full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Reminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exchange risk exposure in such area.

In relation to other currencies, the Group will closely monitor their trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

At the balance sheet date, The Group did not use any financial instrument for hedging purposes.

CORPORATE GOVERNANCE

The Company has, throughout the year, 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 (the "Listing Rules").



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AUDIT COMMITTEE

The Stock Exchange revised the Code of Best Practice in 1998 as set out in Appendix 14 of the Listing Rules which requires listed companies to establish an audit committee with written terms of reference which deal with its authority and duties. Amongst the committee's principal duties will be to review and supervise the Company's financial reporting process and internal control. The Company set up an audit committee in December, 1998 with written terms of reference in accordance with the requirements of the Stock Exchange. The audit committee comprises of the Company's two independent non-executive directors.

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow directors and the staff for their contribution and cordial support during the year.

On behalf of the Board

Poon Siu Chung
Chairman & Managing Director

Hong Kong, 3rd April, 2002

