



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for approximately 66% of the total purchases of the Group and the largest supplier accounted for approximately 38% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the issued share capital of the Company) have an interest in any of the five largest suppliers of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 18.

An interim dividend of 2 cents per share amounting to HK\$5.6 million was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 4.5 cents per share to the shareholders on the register of members on 17th May, 2002, amounting to HK\$12.7 million.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 22 to the financial statements.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year end date. The revaluation resulted in a deficit of HK\$400,000, which has been charged directly to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its replacement policy and expended HK\$7.4 million on plant, machinery and equipment 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 15 to the financial statements.

SHARE CAPITAL

During the year, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited, details of which are set out in note 21 to the financial statements. The directors considered that the repurchases would increase the net asset value per share of the Company.

Further details in relation to the share capital of the Company are set out in note 21 to the financial statements.

SHARE OPTIONS

The Company's Share Option Scheme ("Scheme"), was adopted pursuant to a resolution passed on 30th September, 1992 for the purpose of providing incentives to eligible employees and will expire on 30th September, 2002. Under the Scheme, the board of directors of the Company may grant options to full-time employees of the Company or any subsidiary, including full-time executive directors of the Company or any subsidiary, to subscribe shares in the Company.

The following are the main terms of the Scheme:

- (1) The maximum number of shares in respect of which options may be granted under the Scheme (together with any shares in respect of which options have been exercised and in respect of which options are outstanding) from time to time will not exceed 10% of the number of issued share capital of the Company from time to time (excluding shares issued upon exercise of options).
- (2) The maximum number of shares in respect of which options may be granted under the scheme to an eligible employee (together with any shares in respect of which options have been exercised by that eligible employee and in respect of which options granted to that eligible employee are outstanding) from time to time shall not exceed 25% of the aggregate of all shares in respect of which options may be granted pursuant to the Scheme.
- (3) An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00. Acceptance of the option shall be made no later than 28 days from the date of grant of the options. Options may be exercised at any time after six months from the date of acceptance to the date falling 3 years after the date of acceptance.
- (4) The exercise price is determined by the directors of the Company, and shall not be less than 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant or the nominal value of the share.

On 1st September, 2001, Chapter 17 of the Listing Rules was amended whereby if the Company wishes to continue to grant options under the Scheme on or after 1st September, 2001, it must also comply with the new requirements set out therein (the "New Rules"). As a result, with effect from 1st September, 2001, no further options may be granted under the Scheme.

Major requirements under the New Rules, which are different from or in addition to those mentioned above are summarized below:

- (1) Maximum number of shares

The total number of shares which may be issued upon exercise of all options which may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the total number of shares in issue as at the adoption date (the "Scheme Mandate Limit") unless the Company obtains a refresh approval from the shareholders as mentioned in the following paragraph. Options lapsed in accordance with the terms of the Scheme or any other share option schemes of the company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the new Scheme Mandate Limit has been exceeded.

SHARE OPTIONS (Cont'd)

The Company may seek approval of the shareholders in general meetings to renew the new Scheme Mandate Limit provided that the new Scheme Mandate Limit so renewed must not exceed 10 per cent. of the issued share capital of the Company at the date of the approval of the renewal by the shareholders. The Company may further grant options to participant(s) beyond the new Scheme Mandate Limit if the grant of such options is specifically approved by the shareholders in general meeting.

Notwithstanding the preceding paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares in issue from time to time.

(2) Exercise price of the shares

The exercise price for further share options to be granted under the Scheme on or after 1st September, 2001 shall be determined by the directors of the Company, save that such price will not be less than the highest of (a) the closing price of the shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day, (b) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of grant, and (c) the nominal value of a share of the Company.

(3) Maximum number of options to any one employee

The total number of shares issued and to be issued upon exercise of the options granted to any one employees (including both exercised and outstanding options) to each employee in any 12-month period shall not exceed 1% of shares in issue. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

(4) Granting options to directors, chief executives or substantial shareholders

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is a grantee of the option).

(5) If the company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or any independent non-executive director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including option exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the shares in issue, and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the shares at the date of each grant

such further grant of option will be subject to the issue of a circular by the Company and the approval of shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

No options under the Scheme were granted or outstanding during the year.



Directors' Report

(Cont'd)

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

(resigned on 4th October, 2001)

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. Ip Siu On and Mr. Tsui Yan Lee, Benjamin retire by rotation and, being eligible, offer themselves for re-election.

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).

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

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2001, the interests of the directors and their associates 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	Number of shares held	
	Personal interests	Corporate and family interests
Mr. Poon Sui 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 Sui On	9,103,600	–
Mr. Tsui Yan Lee, Benjamin	5,411,000	–
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.

DIRECTORS' INTERESTS IN SHARES (Cont'd)

- (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 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

Save as the share options 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\$841,000 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") and Benefit Packing Materials Limited ("Benefit"). Details of the guarantees as at 31st December, 2001 are as follows:

Subsidiaries connected	In favour of	Guarantee amount HK\$	Amount utilised HK\$
Benefit, Paper and Printing	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 and Paper	Banque Nationale de Paris	27,000,000	—
Benefit	Citic Ka Wah Bank	40,000,000	—
Benefit, Paper and Printing	The Hong Kong and Shanghai Banking Corporation Limited	90,000,000	—

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 amounting to HK\$200,000. 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 amounting to HK\$199,000. 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 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, 2001.

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.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 31 to the financial statements.



Directors' Report

(Cont'd)

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 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, 3rd April, 2002