

# Notes to the Financial Statements

(Cont'd)

For the year ended 31st December, 2001

## 14. INVESTMENT PROPERTIES

	<b>THE GROUP</b>	
	<b>2001</b> <i>HK\$ '000</i>	<b>2000</b> <i>HK\$ '000</i>
At beginning of the year	4,800	5,300
Revaluation decrease	(400)	(500)
At end of the year	<u>4,400</u>	<u>4,800</u>

The Group's investment properties were revalued at their open market value at 31st December, 2001 by LCH (Asia- Pacific) Surveyors Limited, Chartered Surveyors, on an open market value basis. This valuation gave rise to a revaluation decrease of HK\$400,000 (2000: HK\$500,000), which has been charged to the income statement.

All of the Group's investment properties are rented out under operating leases.

All of the Group's investment properties are situated in Hong Kong and are held under medium-term lease.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b> <i>HK\$ '000</i>	<b>Factory premises</b> <i>HK\$ '000</i>	<b>Furniture, fixtures and office equipment</b> <i>HK\$ '000</i>	<b>Plant, machinery and moulds</b> <i>HK\$ '000</i>	<b>Motor vehicles</b> <i>HK\$ '000</i>	<b>Total</b> <i>HK\$ '000</i>
<b>THE GROUP</b>						
<b>COST</b>						
At 1st January, 2001	3,019	35,190	17,963	136,425	3,838	196,435
Additions	–	478	1,449	4,818	682	7,427
Disposals	–	–	(157)	(2,870)	(596)	(3,623)
At 31st December, 2001	<u>3,019</u>	<u>35,668</u>	<u>19,255</u>	<u>138,373</u>	<u>3,924</u>	<u>200,239</u>
<b>DEPRECIATION</b>						
At 1st January, 2001	444	13,127	12,388	102,884	2,770	131,613
Provided for the year	66	1,779	1,611	10,775	564	14,795
Eliminated on disposals	–	–	(132)	(2,422)	(573)	(3,127)
At 31st December, 2001	<u>510</u>	<u>14,906</u>	<u>13,867</u>	<u>111,237</u>	<u>2,761</u>	<u>143,281</u>
<b>NET BOOK VALUES</b>						
At 31st December, 2001	<u>2,509</u>	<u>20,762</u>	<u>5,388</u>	<u>27,136</u>	<u>1,163</u>	<u>56,958</u>
At 31st December, 2000	<u>2,575</u>	<u>22,063</u>	<u>5,575</u>	<u>33,541</u>	<u>1,068</u>	<u>64,822</u>

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The net book value of properties shown above comprises:

	Land and buildings		Factory premises	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Held in Hong Kong:				
Medium-term lease	2,509	2,575	—	—
Held outside Hong Kong:				
Medium-term lease	—	—	20,762	22,063
	<u>2,509</u>	<u>2,575</u>	<u>20,762</u>	<u>22,063</u>

The Group has not obtained Land Use Right Certificates or Certificate for Housing Ownership in respect of the Group's factory premises with an aggregate net book value of HK\$20,762,000 (2000: HK\$22,063,000) at 31st December, 2001.

The Company did not have any property, plant and equipment as at the balance sheet date.

## 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	<u>32,061</u>	<u>32,061</u>
Amounts due from subsidiaries	<u>103,950</u>	<u>102,659</u>

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Details of the principal subsidiaries as at 31st December, 2001 are set out in note 33.

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 17. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000 (Note)	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities:						
Listed in Hong Kong	8,097	3,678	–	–	8,097	3,678
Unlisted	–	–	2,004	38	2,004	38
	<u>8,097</u>	<u>3,678</u>	<u>2,004</u>	<u>38</u>	<u>10,101</u>	<u>3,716</u>
Debt securities:						
Unlisted	–	–	2,020	–	2,020	–
Total:						
Listed in Hong Kong	8,097	3,678	–	–	8,097	3,678
Unlisted	–	–	4,024	38	4,024	38
	<u>8,097</u>	<u>3,678</u>	<u>4,024</u>	<u>38</u>	<u>12,121</u>	<u>3,716</u>
Market value of listed securities	<u>8,097</u>	<u>3,678</u>			<u>8,097</u>	<u>3,678</u>
Carrying amount analysed for reporting purposes as:						
Current	8,097	3,678	–	–	8,097	3,678
Non-current	–	–	4,024	38	4,024	38
	<u>8,097</u>	<u>3,678</u>	<u>4,024</u>	<u>38</u>	<u>12,121</u>	<u>3,716</u>

Note:

Other securities comprises:

- a 2% equity interest in HK Finance.Com Limited acquired at a consideration of HK\$7,208,000. Due to changes in market conditions, the directors consider that there has been a decline in the recoverable amount of these securities and an impairment loss of HK\$7,207,999 has been recognised in the financial statements, thus reducing the carrying amount to HK\$1.
- a convertible note issued by Grandy Environmental Holding Limited acquired at a consideration of HK\$1,010,000.
- a convertible note issued by Bee & Bee International Limited acquired at a consideration of HK\$1,010,000.
- a 2% equity interest in Kinetana Holdings (BVI) Limited acquired at a consideration of HK\$2,004,000.

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 18. INVENTORIES

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Raw materials	39,565	45,299
Work in progress	1,080	1,840
Finished goods	8,944	14,426
	<u>49,589</u>	<u>61,565</u>

Included above are raw materials of approximately HK\$8,617,000 (2000: HK\$404,000) and finished goods of HK\$815,000 (2000: HK\$5,666,000) carried at net realisable value.

## 19. TRADE AND OTHER RECEIVABLES

The Group's policy is to allow 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>2001</b>	<b>2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
0-60 days	31,150	32,926
61-90 days	11,786	12,632
91-120 days	8,170	8,562
> 120 days	7,297	10,862
	<u>58,403</u>	<u>64,982</u>

## 20. TRADE AND OTHER PAYABLES

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

	<b>2001</b>	<b>2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
0-60 days	7,612	10,958
61-90 days	2,563	3,474
91-120 days	1,302	1,242
> 120 days	742	627
	<u>12,219</u>	<u>16,301</u>

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 21. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the year	700,000	700,000	28,593	25,154
Issue of bonus shares ( <i>note a</i> )	—	—	—	2,599
Issue of shares on exercise of share options ( <i>note b</i> )	—	—	—	840
Repurchase of shares ( <i>note c</i> )	—	—	(286)	—
At end of the year	<u>700,000</u>	<u>700,000</u>	<u>28,307</u>	<u>28,593</u>

Notes:

- (a) 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.
- (b) 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 the issue of 8,400,000 shares of HK\$0.1 each in the Company.
- (c) During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Date of repurchase	No. of shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
2nd March, 2001	680,000	0.80	0.78	540,518
5th March, 2001	230,000	0.79	0.78	183,151
12th April, 2001	300,000	0.78	0.76	231,866
17th April, 2001	350,000	0.75	0.72	259,991
20th April, 2001	410,000	0.74	0.72	303,155
9th May, 2001	470,000	0.71	0.70	331,639
10th May, 2001	420,000	0.71	0.70	300,941
	<u>2,860,000</u>			<u>2,151,261</u>

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 22. RESERVES

	Goodwill reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
At 1st January, 2000						
As originally stated	(1,070)	52,263	936	40	104,273	156,442
Prior period adjustments (note 2)	1,070	–	–	–	12,363	13,433
As restated	–	52,263	936	40	116,636	169,875
Dividend	–	–	–	–	(18,715)	(18,715)
Issue of shares on exercise of options	–	5,208	–	–	–	5,208
Issue of bonus shares	–	(2,599)	–	–	–	(2,599)
Net profit for the year	–	–	–	–	28,019	28,019
At 31st December, 2000	–	54,872	936	40	125,940	181,788
Dividend	–	–	–	–	(17,020)	(17,020)
Repurchase of shares	–	–	286	–	(2,151)	(1,865)
Net profit for the year	–	–	–	–	28,767	28,767
At 31st December, 2001	–	54,872	1,222	40	135,536	191,670

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st January, 2000					
As originally stated	52,263	936	21,889	3,401	78,489
Prior period adjustment (note 2)	–	–	–	12,577	12,577
As restated	52,263	936	21,889	15,978	91,066
Dividend	–	–	–	(18,715)	(18,715)
Issue of shares on exercise of share options	5,208	–	–	–	5,208
Issue of bonus shares	(2,599)	–	–	–	(2,599)
Net profit for the year	–	–	–	31,401	31,401
At 31st December, 2000	54,872	936	21,889	28,664	106,361
Dividend	–	–	–	(17,020)	(17,020)
Repurchase of shares	–	286	(2,151)	–	(1,865)
Net profit for the year	–	–	–	20,444	20,444
At 31st December, 2001	54,872	1,222	19,738	32,088	107,920

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 22. 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:

	<b>2001</b> <i>HK\$ '000</i>	<b>2000</b> <i>HK\$ '000</i>
Contributed surplus	19,738	21,889
Retained profits	32,088	28,664
	<u>51,826</u>	<u>50,553</u>

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

	<b>2001</b> <i>HK\$ '000</i>	<b>2000</b> <i>HK\$ '000</i>
Profit before taxation	32,439	32,490
Interest income	(2,076)	(1,036)
Interest expense	896	2,733
Interest on obligations under hire purchase contracts	–	207
Depreciation	14,795	16,701
Amortisation of goodwill	107	107
Negative goodwill released to income	(3)	(24)
Deficit arising on revaluation of investment properties	400	500
Loss (gain) on disposal of property, plant and equipment	283	(121)
Dividend income from trading securities	(255)	(162)
Loss on disposal of trading securities	663	2,081
Unrealised losses on trading securities	5,209	1,728
Impairment loss on other securities	38	7,170
Decrease in inventories	11,976	80
Decrease in trade and other receivables	1,838	15,858
Increase in amount due from a minority shareholder of a subsidiary	(202)	–
Decrease in trade and other payables	(4,019)	(5,174)
Decrease in bills payable	(327)	(2,586)
Decrease in amount due to a minority shareholder of a subsidiary	(319)	(410)
Net cash inflow from operating activities	<u>61,443</u>	<u>70,142</u>

# Notes to the Financial Statements

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For the year ended 31st December, 2001

## 24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000	Minority interests HK\$'000
At 1st January, 2000	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
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2000	83,465	–	–	3,157
Transfer to capital redemption reserve	(286)	–	–	–
Dividends paid to minority shareholders	–	–	–	(743)
Change of equity interest in a subsidiary	–	–	–	(253)
Minority share of profit for the year	–	–	–	423
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>83,179</u>	<u>–</u>	<u>–</u>	<u>2,584</u>

## 25. DEFERRED TAXATION

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	2,332	2,526
Taxation losses	(1,783)	(1,120)
	<hr/>	<hr/>
	<u>549</u>	<u>1,406</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 for the year is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	194	1,931
Taxation losses	663	446
	<hr/>	<hr/>
	<u>857</u>	<u>2,377</u>





## Notes to the Financial Statements

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For the year ended 31st December, 2001

### 26. CONTINGENT LIABILITIES

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. No such facilities has been utilised by the subsidiaries at 31st December, 2001 (2000: HK\$558,000).

### 27. LONG SERVICE PAYMENTS

At 31st December, 2001, 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, 2001 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$4 million (2000: HK\$4.3 million). No provision has been made in the financial statements in respect of such long service payments.

### 28. CAPITAL COMMITMENTS

Neither the Group nor the Company had any material capital commitments at 31st December, 2001 or 31st December, 2000.

### 29. OPERATING LEASE COMMITMENTS

The Group as lessee

	<b>2001</b> <i>HK\$ '000</i>	<b>2000</b> <i>HK\$ '000</i>
Minimum lease payments paid in respect of rented premises under operating leases during the year	<u>2,762</u>	<u>2,207</u>

At the balance sheet date, the Group had the commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	<b>THE GROUP</b>	
	<b>2001</b> <i>HK\$ '000</i>	<b>2000</b> <i>HK\$ '000</i>
Within one year	2,378	2,875
In the second to fifth year inclusive	5,363	6,479
Over five years	38,162	39,424
	<u>45,903</u>	<u>48,778</u>

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 2 years to 42 years.



## Notes to the Financial Statements

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For the year ended 31st December, 2001

### 30. 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.

The retirement benefits cost charged to the 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.

As result of the introduction of the Mandatory Provident Fund ("MPF") Scheme, the Group also participates in an approved MPF scheme with the HSBC Provident Fund Trustee (Hong Kong) Limited effective 1st December, 2000 to provide MPF scheme to all Hong Kong 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\$55,000 (2000: HK\$19,000), for the year amounted to approximately HK\$602,000 (2000: HK\$444,000). At 31st December, 2001 and 31st December, 2000, 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.

### 31. POST BALANCE SHEET EVENTS

In January 2002, the Group purchased certain convertible bonds of Union Bridge Power System Limited amounting to HK\$1,000,000.

In January 2002, the Group contracted to purchase plant and equipment from third parties amounting to EUR150,000.

In February 2002, the Group entered into a subscription agreement with Jazz Photo Corp. to subscribe for its cumulative convertible redeemable preferred stock amounting to US\$100,000.

In March 2002, the Group contracted to purchase plant and equipment from third parties amounting to HK\$712,000 and EUR413,000.

### 32. RELATED PARTY TRANSACTIONS

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

	2001 HK\$'000	2000 HK\$'000
Rental expenses paid to:		
Nice Step Investment Limited ( <i>Note a</i> )	841	999
Mr. Poon Siu Chung	168	168
Professional fees paid to Messrs. Cheung, Tong & Rosa ( <i>Note b</i> )	200	287
Printing fees paid to Run All Limited ( <i>Note c</i> )	199	457
	<u>199</u>	<u>457</u>

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For the year ended 31st December, 2001

## 32. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (a) Mr. Leung Ying Wai, Charles, a director of the Company, has beneficial interest in Nice Step Investment Limited.
- (b) 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.
- (c) Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interest in Run All Limited.

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

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. No such facilities were utilised by these non-wholly-owned subsidiaries at 31st December, 2001 (2000: HK\$86,000).

## 33. 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

# Notes to the Financial Statements

(Cont'd)

For the year ended 31st December, 2001

## 33. 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 Limited	Hong Kong	–	100%	HK\$200 (ordinary shares)	Investment holding
		–	–	HK\$80,000 (non-voting deferred shares)	
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	–	100%	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)	Property investment
		–	–	HK\$160,000 (non-voting deferred shares)	

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.