



PERFECTECH INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

*Concerted
Endeavour*



INTERIM REPORT

**For the six months
ended 30th June, 2002**



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, 2002 and the comparative figures in 2001 were as follows: –

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		For the six months ended	
		30th June,	
	<i>Notes</i>	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(As restated)	
Turnover	2 & 3	115,100	121,390
Cost of sales		(89,930)	(91,312)
		<hr/>	<hr/>
Gross profit		25,170	30,078
Other income	4	4,643	2,050
Distribution costs		(8,576)	(6,634)
Administrative expenses		(12,817)	(14,420)
Other expenses	5	(1,409)	(2,260)
		<hr/>	<hr/>
Profit from operations	6	7,011	8,814
Finance costs		(36)	(259)
		<hr/>	<hr/>
Profit before taxation		6,975	8,555
Taxation	7	(696)	(986)
		<hr/>	<hr/>
Profit after taxation		6,279	7,569
Minority interests		(178)	(241)
		<hr/>	<hr/>
Profit for the period		<u>6,101</u>	<u>7,328</u>
Dividends	8	<u>12,738</u>	<u>11,359</u>
Earnings per share	9	<u>2.16 cents</u>	<u>2.57 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th June, 2002 HK\$'000	(Audited) 31st December, 2001 HK\$'000
NON-CURRENT ASSETS			
Goodwill		589	642
Investment properties		4,400	4,400
Property, plant and equipment	10	53,203	56,958
Investment in securities		2,800	4,024
		<hr/>	<hr/>
		60,992	66,024
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		83,732	49,589
Trade and other receivables	11	72,705	69,415
Investment in securities		6,802	8,097
Amount due from a minority shareholder of a subsidiary		–	202
Taxation recoverable		–	431
Bank balances and cash		31,058	47,213
		<hr/>	<hr/>
		194,297	174,947
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and other payables	12	35,678	18,410
Bills payable		3,222	–
Taxation payable		265	–
		<hr/>	<hr/>
		39,165	18,410
		<hr/>	<hr/>
NET CURRENT ASSETS			
		155,132	156,537
		<hr/>	<hr/>
		216,124	222,561
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	13	28,307	28,307
Reserves		185,055	191,670
		<hr/>	<hr/>
		213,362	219,977
		<hr/>	<hr/>
MINORITY INTERESTS			
		2,762	2,584
		<hr/>	<hr/>
		216,124	222,561
		<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	For the six months	
	ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(As restated)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(4,768)	14,306
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,329	(16,171)
NET CASH USED IN FINANCING ACTIVITIES	(12,738)	(13,510)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,177)	(15,375)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	47,213	28,785
Effect of foreign exchange rate changes	22	–
CASH AND CASH EQUIVALENTS AT 30TH JUNE	<u>31,058</u>	<u>13,410</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>31,058</u>	<u>13,410</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					
	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Capital redemption reserve <i>HK\$ '000</i>	Translation reserve <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1st January, 2002	28,307	54,872	1,222	40	135,536	219,977
Dividend	–	–	–	–	(12,738)	(12,738)
Translation of financial statements of an overseas subsidiary	–	–	–	22	–	22
Net profit for the period	–	–	–	–	6,101	6,101
At 30th June, 2002	<u>28,307</u>	<u>54,872</u>	<u>1,222</u>	<u>62</u>	<u>128,899</u>	<u>213,362</u>
At 1st January, 2001	28,593	54,872	936	40	125,940	210,381
Dividend	–	–	–	–	(11,359)	(11,359)
Repurchase of shares	(286)	–	286	–	(2,151)	(2,151)
Net profit for the period	–	–	–	–	7,328	7,328
At 30th June, 2001	<u>28,307</u>	<u>54,872</u>	<u>1,222</u>	<u>40</u>	<u>119,758</u>	<u>204,199</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants.

These condensed consolidated interim financial statements should be read in conjunction with the 2001 financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (Revised):	“Presentation of Financial Statements”
SSAP 11 (Revised):	“Foreign Currency Translation”
SSAP 15 (Revised):	“Cash Flow Statements”
SSAP 25 (Revised):	“Interim Financial Reporting”
SSAP 34:	“Employees Benefits”

The changes to the Group’s accounting policies and the effects of adopting these new policies are set out below:

(a) SSAP 11 (Revised): “Foreign Currency Translation”

The balance sheet of overseas subsidiaries expressed in foreign currencies is translated at the rate of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the income statement of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the income statement of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) SSAP 15 (Revised): “Cash Flow Statements”

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP15 (Revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 30th June, 2001, net cash outflow from interest paid of approximately HK\$259,000 has been reclassified as operating cash flow, dividend and interest received of approximately HK\$1,288,000 have been reclassified as investing cash flow and dividend paid of approximately HK\$11,359,000 has been reclassified as financing cash flow.

2. BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three business segments, namely manufacture and sale of novelties and decorations, manufacture and sale of packaging products and trading of PVC films and plastic materials. These business segments are the basis on which the Group reports its primary segment information.

For the six months ended 30th June, 2002

	Novelties and decorations	Packaging products	(Unaudited) PVC films and plastic materials	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER					
External sales	31,083	61,624	22,393	–	115,100
Inter-segment sales	24	6,443	504	(6,971)	–
Total revenue	<u>31,107</u>	<u>68,067</u>	<u>22,897</u>	<u>(6,971)</u>	<u>115,100</u>
RESULT					
Segment results	<u>2,406</u>	<u>2,613</u>	<u>856</u>	<u>(662)</u>	5,213
Profit from investments in securities					2,047
Unallocated corporate expenses					<u>(249)</u>
Profit from operations					7,011
Finance costs					<u>(36)</u>
Profit before taxation					6,975
Taxation					<u>(696)</u>
Profit after taxation					<u>6,279</u>

BALANCE SHEET*as at 30th June, 2002*

	(Unaudited)			
	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	129,477	91,755	19,980	241,212
Unallocated corporate assets				14,077
				<hr/>
Consolidated total assets				<u>255,289</u>
LIABILITIES				
Segment liabilities	18,451	19,205	1,425	39,081
Unallocated corporate liabilities				84
				<hr/>
Consolidated total liabilities				<u>39,165</u>

For the six months ended 30th June, 2001

	(Unaudited)				
	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	34,531	62,062	24,797	–	121,390
Inter-segment sales	16	7,434	1,011	(8,461)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>34,547</u>	<u>69,496</u>	<u>25,808</u>	<u>(8,461)</u>	<u>121,390</u>
RESULT					
Segment results	<u>6,896</u>	<u>4,582</u>	<u>308</u>	<u>(808)</u>	10,978
					<hr/>
Loss from investments in securities					(1,677)
Unallocated corporate expenses					(487)
					<hr/>
Profit from operations					8,814
Finance costs					(259)
					<hr/>
Profit before taxation					8,555
Taxation					(986)
					<hr/>
Profit after taxation					<u>7,569</u>

BALANCE SHEET*as at 31st December, 2001*

	(Audited)			
	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	116,634	83,820	22,511	222,965
Unallocated corporate assets				18,006
				<hr/>
Consolidated total assets				<u>240,971</u>
LIABILITIES				
Segment liabilities	6,993	10,284	999	18,276
Unallocated corporate liabilities				134
				<hr/>
Consolidated total liabilities				<u>18,410</u>

3. GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's sales by geographical segments:

	(Unaudited)			
	Turnover		Contributions to	
	For the six months ended 30th June,			
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical market:				
Hong Kong	84,101	91,070	2,798	4,701
Europe	11,251	11,745	863	2,331
America	17,337	17,786	1,331	3,531
Asia (other than Hong Kong)	793	597	61	118
Others	1,618	192	124	38
	<hr/>	<hr/>	<hr/>	<hr/>
	115,100	121,390	5,177	10,719
	<hr/>	<hr/>	<hr/>	<hr/>
Profit (loss) from investment in securities			2,047	(1,677)
Unallocated corporate expenses			(249)	(487)
			<hr/>	<hr/>
Profit before taxation			<u>6,975</u>	<u>8,555</u>

4. OTHER INCOME

	(Unaudited)	
	For the six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	246	326
Interest income	719	1,150
Dividend income	95	138
Gain on disposal of trading securities	414	435
Gain on disposal of other securities	2,909	–
Others	260	1
	<u>4,643</u>	<u>2,050</u>

5. OTHER EXPENSES

	(Unaudited)	
	For the six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised loss on trading securities	1,371	2,250
Loss on disposal of property, plant and equipment	38	10
	<u>1,409</u>	<u>2,260</u>

6. PROFIT FROM OPERATIONS

Profit from operations was stated after charging depreciation of HK\$7,673,000 (2001: HK\$8,073,000) and amortisation of goodwill of HK\$53,000.

7. TAXATION

	(Unaudited)	
	For the six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	<u>696</u>	<u>986</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the period.

8. DIVIDENDS

	(Unaudited)	
	For the six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final paid:		
4.5 cents per share for 2001		
(2001: 4 cents per share for 2000)	<u>12,738</u>	<u>11,359</u>

The directors have resolved to declare an interim dividend of 1 cent (2001: 2 cents) per share.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$6,101,000 (2001: HK\$7,328,000) and the weighted average number of ordinary shares for the purpose of earnings per share in issue during the period of 283,071,607 (2001: 284,628,070).

Fully diluted earnings per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option scheme.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$3,956,000 (2001: HK\$4,976,000).

11. 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:

	(Unaudited)	(Audited)
	30th June,	31st December,
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	45,550	31,150
61-90 days	11,093	11,786
91-120 days	4,255	8,170
> 120 days	4,268	7,297
	<u>65,166</u>	<u>58,403</u>

At balance sheet date, an amount of HK\$3,222,000 as deposit paid for the purchase of plant and equipment was included in the aggregate Trade and other receivables.

12. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30th June, 2002 <i>HK\$ '000</i>	(Audited) 31st December, 2001 <i>HK\$ '000</i>
0-60 days	17,798	7,612
61-90 days	4,694	2,563
91-120 days	1,249	1,302
> 120 days	333	742
	<u>24,074</u>	<u>12,219</u>

13. SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and	
	30th June,	30th June,	30th June,	fully paid
	2002	2001	2002	30th June,
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	2001
				<i>HK\$ '000</i>
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	28,307	28,593
Repurchase of shares	–	–	–	(286)
At end of the period	<u>70,000</u>	<u>70,000</u>	<u>28,307</u>	<u>28,307</u>

At the Annual General Meeting of the Company held on 17th May, 2002, a new share option scheme (the "New Option Scheme") was approved and adopted. On 5th June, 2002, a total of 4,700,000 options were granted pursuant to the New Share Option Scheme to certain directors, employees and consultants of the Company to acquire the same number of shares of HK\$0.10 each in the Company at any time from 5th July, 2002 to 17th May, 2012 at an exercise price of HK\$0.664 per share. At 30th June, 2002, all these options granted during the period were outstanding.

14. 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 30th June, 2002 (at 31st December, 2001: nil).

15. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited) 30th June, 2002 <i>HK\$ '000</i>	(Audited) 31st December, 2001 <i>HK\$ '000</i>
Contracted but not provided for	4,450	–
Authorised but not contracted for	–	–
	<u>4,450</u>	<u>–</u>

(b) Operating lease commitments

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:

	THE GROUP	
	(Unaudited) 30th June, 2002 <i>HK\$ '000</i>	(Audited) 31st December, 2001 <i>HK\$ '000</i>
Within one year	2,524	2,378
In the second to fifth year inclusive	5,603	5,363
Over five years	37,531	38,162
	<u>45,658</u>	<u>45,903</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.

16. RELATED PARTY TRANSACTIONS

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

	(Unaudited) For the six months ended 30th June,	
	2002 <i>HK\$ '000</i>	2001 <i>HK\$ '000</i>
Rental expenses paid to:		
Nice Step Investment Limited (<i>Note a</i>)	420	420
Mr. Poon Siu Chung	84	84
Professional fees paid to Messrs. Cheung, Tong & Rosa (<i>Note b</i>)	155	200
Printing fees paid to Run All Limited (<i>Note c</i>)	135	175
	<u>135</u>	<u>175</u>

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 adviser 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 period, 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 30th June, 2002 was HK\$3,222,000 (at 31st December, 2001: nil).

17. POST BALANCE SHEET EVENTS

After the balance sheet date, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Date of purchase	No. of shares of HK\$0.1 each	Price per share		Consideration paid HK\$ '000
		Highest HK\$	Lowest HK\$	
23rd July, 2002	980,000	0.61	0.59	590
24th July, 2002	1,872,000	0.62	0.61	1,144
25th July, 2002	1,150,000	0.62	0.61	703
26th July, 2002	676,000	0.60	0.55	388
29th July, 2002	304,000	0.59	0.58	178
30th July, 2002	200,000	0.60	0.59	119
31st July, 2002	200,000	0.61	0.60	122
6th August, 2002	1,006,000	0.63	0.62	629
	<u>6,388,000</u>			<u>3,873</u>

SHARE OPTIONS

Details of the Company's Share Option Scheme (the "Old Option Scheme") adopted pursuant to a resolution passed on 30th September, 1992 are set out in the published annual report of the Company for the year ended 31st December, 2001. During the period, no options was granted under the Old Option Scheme and there was no option outstanding under the Old Option Scheme at 30th June, 2002.

A new share option scheme (the "New Option Scheme") was adopted pursuant to a resolution passed on the Annual General Meeting of the Company held on 17th May, 2002. Details of the New Option Scheme are as follows:

Purpose of the scheme	To provide incentives to the Participants
Participants	any employee and adviser, consultant, contractor, client and supplier who in the sole discretion of the Board have contributed to the Group
Total number of securities available for issue under the scheme and the percentage of share capital it represents at 30th June, 2002	28,307,160 shares 10%
Maximum entitlement of each participants	1% of the shares in issue within any 12-month period
Period within which the securities must be taken up as an option	not more than 10 years from the date of grant of the option
Minimum holding period before an option can be exercised	N/A
Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purpose must be repaid	HK\$1.00 By 5:00p.m. on the 5th business day follow the date of offer of the option
Basis of determining the exercise price	Determined by the Board at its sole discretion, but not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price price of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 trading days immediately preceeding the date of grant; or (iii) the nominal value thereof.
Remaining life of the scheme	The scheme period will end on 16th May, 2012

Details of the share options outstanding at 30th June, 2002 which have been granted under the New Option Scheme are as follows:

	Number of options			held at 30th June, 2002	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
held at 1st January, 2002	granted during the period	exercised during the period						
Ip Siu On Director	–	700,000	–	700,000	0.6640	5th June, 2002	5th July, 2002	17th May, 2012
Tsui Yan Lee, Benjamin Director	–	700,000	–	700,000	0.6640	5th June, 2002	5th July, 2002	17th May, 2012
Employees	–	2,300,000	–	2,300,000	0.6640	5th June, 2002	5th July, 2002	17th May, 2012
Others	–	1,000,000	–	1,000,000	0.6640	5th June, 2002	5th July, 2002	17th May, 2012

Notes: The closing price of the Company's shares immediately before 5th June, 2002, the date of grant was HK\$0.64

Options granted to participants over the Company's shares are recognised in the balance sheet at the time when the options are exercised. Share capital is credited at par for each share issued upon the exercise of options, with share premium credited at the excess of the net proceeds received over total share capital credited.

The directors of the Company considered that it is not appropriate to value share options granted under the New Option Scheme during the year as a number of factors critical for the valuation of the share options granted cannot be determined accurately. In the absence of readily available market value of the options under the New Option Scheme, any valuation of the share options would be meaningless and could be misleading to the shareholders.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2002, 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 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. 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 share 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 family and corporate interest in 62,097,200 shares, representing more than 10% of the share 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

The options were granted on 5th June, 2002 under the New Option Scheme, which was approved by the shareholders at the Annual General Meeting of the Company held on 17th May, 2002. The options are exercisable at HK\$0.664 per share at anytime from 5th July, 2002 to 17th May, 2012.

Directors	At 1st January, 2002	Number of share options granted during the period	Number of share options exercised during the period	At 30th June, 2002
Mr. Ip Siu On	–	700,000	–	700,000
Mr. Tsui Yan Lee, Benjamin	–	700,000	–	700,000

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 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 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, 2002.

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

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 controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2002 of the Company now reported on.

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 30th June, 2002 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.

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

Hong Kong, 18th September, 2002