

# *Directors' Report*

The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 28 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 17.

An interim dividend of 1 cent per share amounting to approximately HK\$2,739,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 5 cents per share to the shareholders on the register of members on 12th May, 2003, amounting to approximately HK\$13,500,000, and the retention of the remaining profit for the year of approximately HK\$6,609,000.

## **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 61% of the total purchases of the Group and the largest supplier accounted for approximately 34% 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 Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

## **INVESTMENT PROPERTIES**

The Group revalued its investment properties at the year end date. The revaluation resulted in a deficit of HK\$300,000, which has been charged directly to the consolidated income statement.

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 approximately HK\$15,800,000 on property, plant and equipment during the year.

Details of this 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.

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## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

Details of the movements in the Company's share options during the year are as follows:

	<b>Number of share options granted during the year and outstanding at 31.12.2002</b>
<b>Directors</b>	
Mr. Ip Siu On	700,000
Mr. Tsui Yan Lee, Benjamin	700,000
Total for directors	<u>1,400,000</u>
<b>Employees</b>	2,300,000
<b>Others</b>	1,000,000
Total	<u><u>4,700,000</u></u>

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

The directors of the Company considered that it is not appropriate to value share options granted under the 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 option scheme, any valuation of the share options would be meaningless and could be misleading to the shareholders.

## RESERVES

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

## 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



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## DIRECTORS (Cont'd)

### 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. Leung Ying Wai, Charles 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, 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 Sui Chung (Note a)	6,232,000	101,757,630
Mr. Leung Ying Wai, Charles (Note b)	–	63,097,200
Mr. Ip Sui On	9,103,600	–
Mr. Tsui Yan Lee, Benjamin	5,411,000	–
Mr. Ng Siu Yu, Larry	880,000	–

### Notes:

- 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.
- Mr. Leung Ying Wai, Charles has a corporate and family interest in 63,097,200 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.
- 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.
- 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.

Other than 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.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed in note 21 to the financial statements, at no time during the year was the Company or 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 neither the directors nor any of 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.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

- (a) 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.

- (b) On 21st January, 2002, Perfectech entered into a tenancy agreement with Mr. Poon Siu Chung, a substantial shareholder and director of the Company, in relation to premises at Nos. 34 and 35 of Xiazha Industrial Street, Jinding Town, Zhuhai, the People's Republic of China, for a monthly rent of HK\$14,000 for a period of three years commencing from 1st January, 2002. The said premises are used by the Group as factories. The total rent payable by the Group for the premises for the full period of the tenancy under the aforesaid tenancy agreement will amount to HK\$504,000. During the year, the Group paid rent to Mr. Poon Sui Chung totalling HK\$168,000.
- (c) 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, 2002 are as follows:

Subsidiaries connected	In favour of	Guarantee amount	Amount utilised
		HK\$	HK\$
Benefit, Paper and Printing	Standard Chartered Bank	33,800,000	—
Benefit and Paper	Dao Heng Bank Limited	22,000,000	—
Benefit and Paper	ING Bank	25,500,000	—
Benefit and Paper	BNP PARIBAS	27,000,000	—
Benefit	CITIC Ka Wah Bank	40,000,000	—
Benefit, Paper and Printing	The Hongkong and Shanghai Banking Corporation Limited	90,000,000	—

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- (d) 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\$155,000. 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.
- (e) During the year, the Group paid printing fees to Run All Limited in connection with its services rendered to the Group amounting to HK\$263,000. Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interests 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.

Other than as disclosed above, no contracts of significance to which the Company or 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, 2002.

### **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.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st December, 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.

### **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, 27th March, 2003