

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 23.

An interim dividend of 1 cent per share amounting to approximately HK\$3,064,000 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 10th May, 2005, amounting to approximately HK\$13,788,000.

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 54% of the total purchases of the Group and the largest supplier accounted for approximately 25% of the total purchases of the Group.

During the year, none of the directors, their associates or shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

INVESTMENT PROPERTIES

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

Details of this movement 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\$21.7 million on new property, plant and equipment during the year.

Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Directors' Report *(Cont'd)*

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 24 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

Non-executive director

Mr. Tong Wui Tung

(redesignated as non-executive director on 28th September, 2004)

Independent non-executive directors

Mr. Ng Siu Yu, Larry

Mr. Lam Yat Cheong *(appointed on 28th September, 2004)*

Mr. Yip Chi Hung *(appointed on 28th September, 2004)*

In accordance with Bye-Law 99 of the Company's bye-laws, Mr. Leung Ying Wai, Charles, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin, the executive directors shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

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 director and independent non-executive directors will hold office until the conclusion of the forthcoming annual general meeting of the Company.

Directors' Report *(Cont'd)*

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2004, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(A) Long positions in shares of the Company

Director	Capacity	No. of shares held	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	13,526,000	115,283,630 (a)	37.63
	Interest of spouse and controlled corporation	101,757,630		
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	63,097,200 (b)	20.59
Mr. Ip Siu On	Beneficial owner	6,803,600	6,803,600	2.22
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	3,411,000	3,411,000	1.11
Mr. Ng Siu Yu, Larry	Beneficial owner	880,000	880,000	0.29
Mr. Yip Chi Hung	Interest of controlled corporations	684,000	684,000 (c)	0.22

Notes:

- (a) Mr. Poon Siu Chung was the beneficial owner of 13,526,000 shares of the Company and he was also deemed to be interested in 101,757,630 shares of the Company which were held through 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 were held in trust for others.
- (b) Mr. Leung Ying Wai, Charles was deemed to be interested in 63,097,200 shares of the Company which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, his spouse, Ms. Tai Yee Foon and his family members.
- (c) Mr. Yip Chi Hung was deemed to be interested in 684,000 shares of the Company of which 306,000 shares were held through Asia Dynamic Assets Management Limited, a limited company incorporated in the British Virgin Islands ("BVI") and owned as to 75% by Mr. Yip Chi Hung, the remaining 378,000 shares were held through Richard Investment Development Limited, a limited company incorporated in the BVI and beneficially owned by Mr. Yip Chi Hung.

Directors' Report *(Cont'd)*

DIRECTORS' INTERESTS IN SHARES *(Cont'd)*

(B) Long position in shares of associated corporations of Company

Director	Name of associated corporation	Capacity	No. of shares held		% of issued share capital of the associated corporation
				Total	
Mr. Poon Siu Chung	Perfectech International Limited	Beneficial owner	200		50
		Interest of spouse	200	400(d)	
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		51
		Interest of spouse	20,800	81,600(e)	
Mr. Leung Ying Wai, Charles	Perfectech International Limited	Interest of spouse	400	400(f)	50
Mr. Ip Siu On	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

Notes:

- (d) Mr. Poon Siu Chung was the beneficial owner of 200 non-voting deferred shares ("Perfectech Shares") of HK\$100 each in Perfectech International Limited, a subsidiary of the Company and was also deemed to be interested in 200 Perfectech Shares held by his spouse, Ms. Lau Kwai Ngor.
- (e) Mr. Poon Siu Chung was the beneficial owner of 60,800 non-voting deferred shares ("Sunflower Shares") of HK\$1 each in Sunflower Garland Manufactory Limited, a subsidiary of the Company and was also deemed to be interested in 20,800 Sunflower Shares held by his spouse, Ms. Lau Kwai Ngor.
- (f) Mr. Leung Ying Wai, Charles was deemed to be interested in 400 Perfectech Shares held by his spouse, Ms. Tai Yee Foon.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the directors or their associates had any interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO.

Directors' Report *(Cont'd)*

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options disclosed below, during the year none of the Company or its subsidiaries was 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.

SHARE OPTIONS

Particulars of the Company's share option scheme during the year are set out in note 33 to the financial statements.

No share options were held by the directors of the Company at the end of or at any time during the year. Since 1st January, 2005, the Company has granted options with rights to subscribe for a total of 11,900,000 shares of the Company under its share option scheme.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

- (a) During the year, Perfectech International Limited ("Perfectech"), a wholly-owned subsidiary of the Company, entered into tenancy agreements 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 2nd floor (with gross floor area of approximately 5,070 sq. ft.) and car parking space No. 3 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, 2003 at a monthly rent of HK\$21,266.
 - (ii) premises at the 3rd floor (with gross floor area of approximately 5,070 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, 2003 at a monthly rent of HK\$21,266.
 - (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. 5 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, 2003 at a monthly rent of HK\$18,280.
 - (iv) premises at the 5th floor (with gross floor area of approximately 3,096 sq. ft.) of Perfectech Centre, 64 Wong Chuk Hang Road, Hong Kong. The tenancy is for a period of three years commencing from 15th August, 2003 at a monthly rent of HK\$10,836.

During the year, the Group paid rental expenses of approximately HK\$860,000 to Nice Step Investment Limited.

- (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. The tenancy agreement is renewed on 2nd February, 2005 for a period of three years at a monthly rent of HK\$14,000.

Directors' Report *(Cont'd)*

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(Cont'd)*

- (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"), Asia Rich (Far East) Limited ("Asia"), Beyond Growth International Limited ("Beyond"), Dream Creation Limited ("Dream"), Golden Enterprise Holdings Limited ("Golden"), Shouji Tooling Factory Limited ("Shouji") and Yu-Me (H.K.) Limited ("Yu-Me"). Details of the guarantees and amount utilised as at 31st December, 2004 are as follows:

Subsidiaries connected	In favour of	Guarantee amount HK\$	Amount utilised HK\$
Paper and Printing	Standard Chartered Bank	33,800,000	–
Beyond, Dream, Golden, Shouji and Yu-Me	Standard Chartered Bank	30,500,000	–
Asia, Beyond, Dream, Golden, Shouji and Yu-Me	The Hong Kong and Shanghai Banking Corporation Limited	50,000,000	5,598,620
Paper and Printing	The Hong Kong and Shanghai Banking Corporation Limited	90,000,000	–
Shouji	BOT Lease (Hong Kong) Co., Ltd.	500,000	330,000

- (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\$110,660. Mr. Tong Wui Tung and Ms. Pang Siu Yin, a 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\$127,778. Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interests in that company. No such transaction was made since 1st July, 2004.

The independent non-executive directors confirm that the transactions have been entered into by the Group (i) in the ordinary course of its business; (ii) in accordance with the terms of the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties.

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.

Directors' Report *(Cont'd)*

INTEREST OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save for the interests disclosed above in the section "Directors' Interests in Shares", as at 31st December, 2004, the register of substantial shareholders' interests maintained under Section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the shares and underlying shares of the Company.

Long positions in shares of the Company

Shareholder	Capacity	No. of shares held	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Interest of spouse and controlled corporation	115,283,630 (a)	37.63
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200 (b)	20.59
Takefuji Corporation	Beneficial owner	25,825,800	8.43

Notes:

- (a) Ms. Lau Kwai Ngor was deemed to be interested in 115,283,630 shares of the Company held by her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 13,526,000 shares of the Company and he was deemed to be interested in 101,757,630 shares held 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 were held in trust for others.
- (b) Ms. Tai Yee Foon was deemed to be interested in 63,097,200 shares of the Company held by her spouse, Mr. Leung Ying Wai, Charles. Mr. Leung Ying Wai, Charles was deemed to be interested in 63,097,200 shares held by Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, his spouse, Ms. Tai Yee Foon and his family members.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as then set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which was in force during the period.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of which is set out in note 33 to the financial statements.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.

AUDITORS

A resolution will be proposed at 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, 7th April, 2005