

Directors' Report

The directors present their annual report and the audited financial statements for the year ended December 31, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The subsidiaries of the Company are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding.

An analysis of the Group's turnover and operating profit by geographical region and principal activity is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and the appropriations of the Company for the year ended December 31, 2000 are set out in the consolidated income statement on page 23 of the annual report and in note 10 to the financial statements.

An interim dividend of 3 cents per share amounting to approximately HK\$16.26 million was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 4 cents per share plus a special dividend of 11 cents per share to the shareholders on the register of members on May 23, 2001, amounting to approximately HK\$20.94 million and HK\$57.59 million respectively and the retention of the remaining profit for the year of approximately HK\$11.76 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 62 of the annual report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2000, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

The five largest suppliers comprised 31% of the total purchases while the largest supplier accounted for 14%.

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 share capital) have an interest in any of the Group's five largest suppliers.

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report are:

Executive directors:

Mr. Fong Sou Lam (<i>Chairman</i>)	
Mr. Lee Che Chiu (<i>Managing Director</i>)	(appointed on July 10, 2000)
Mr. Fong Kwok Leung, Kevin	
Mr. Fong Kwok Chung, Bill	
Mr. Cheuk Hon Kin, Kelvin	
Dr. Tsui Tak Ming, William	(appointed on July 10, 2000)
Ms. Poon Hang Sim, Blanche	(appointed on July 10, 2000)

Non-executive directors:

Mr. Cheung Chiu Fan	
Mr. Lui Chi Lung, Louis	(appointed on September 9, 2000)
Mr. Lee Che Chiu	(redesignated to executive director on July 10, 2000)

Mr. Cheung Chiu Fan was appointed under a contract commencing on August 22, 1998 and expiring on December 31, 2000. On December 19, 2000, his term of office was extended to December 31, 2002.

Mr. Lui Chi Lung, Louis was appointed under a contract for an initial term of 2 years commencing on September 9, 2000.

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DIRECTORS AND SERVICE CONTRACTS (Continued)

In accordance with Clause 99 of the Company's Bye-Laws, all remaining directors shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests in Sou Lam Company, Limited ("Sou Lam").

On December 29, 1999, the Group entered into an operating lease agreement with Sou Lam for the use of a portion of a factory building for a term of two years from January 1, 2000 to December 31, 2001.

On April 28, 2000, the Group entered into another operating lease agreement with Sou Lam for the use of a workshop in the same factory building for the period from May 1, 2000 to December 31, 2001.

The above operating lease agreements were negotiated on an arm's length basis and the rentals were determined by independent rental valuations. Total rent payable by the Group to Sou Lam for the year amounted to HK\$3,931,960.

Save as aforesaid, there were no other 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 which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at December 31, 2000, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of directors	Number of ordinary shares held	
	Personal interests	Other interests
Mr. Fong Sou Lam	356,000	-
Mr. Fong Kwok Leung, Kevin	350,000	342,575,601*
Mr. Fong Kwok Chung, Bill	300,000	342,575,601*
Mr. Cheuk Hon Kin, Kelvin	593,110	-

* 342,575,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members.

Save as aforesaid and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors, or their associates had any beneficial interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at December 31, 2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

The directors had personal interests in share options to subscribe for shares in the Company at an exercise price of HK\$0.56 per share under the share option scheme adopted by the Company on September 19, 1990, which expired on September 18, 2000 as follows:

Name of directors	At	Number of	At
	January 1, 2000	share options lapsed during the year	December 31, 2000
Mr. Fong Sou Lam	10,000,000	(10,000,000)	-
Mr. Cheuk Hon Kin, Kelvin	850,000	(850,000)	-
Mr. Fong Kwok Leung, Kevin	700,000	(700,000)	-
Mr. Fong Kwok Chung, Bill	300,000	(300,000)	-
Mr. Lee Che Chiu	100,000	(100,000)	-
Mr. Cheung Chiu Fan	100,000	(100,000)	-
Dr. Tsui Tak Ming, William	400,000	(400,000)	-

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES (Continued)

Pursuant to a special general meeting held on June 8, 2000, a new share option scheme was approved and was adopted on September 19, 2000. Details of the new share option scheme are set out in note 23 to the financial statements.

No options under the new share option scheme were granted or exercised during the year and no options were outstanding as at December 31, 2000.

Other than the foregoing, 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 debt securities (including debentures) of, the Company or any other body corporate and none of the directors or 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 rights.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register required to be maintained under Section 16(1) of the SDI Ordinance at December 31, 2000 shows no other person as interested in shares representing 10% or more of the Company's shares in issue at that date.

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

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited as detailed in note 22 to the financial statements with the aim of increasing the earnings and net assets per share of the Company. The shares were then cancelled by the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$6,000.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended December 31, 2000 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 except for the following event.

On December 14, 1998, the Company established an Audit Committee comprising Messrs. Lee Che Chiu and Cheung Chiu Fan, independent non-executive directors. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. On July 10, 2000, Mr. Lee Che Chiu took up the post of Managing Director of the Company and resigned as a member of the Audit Committee. As a result, the Company had only one member in the Audit Committee until the appointment of Mr. Lui Chi Lung, Louis as an independent non-executive director and a member of the Audit Committee on September 9, 2000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 36 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board



Fong Sou Lam
DIRECTOR

April 19, 2001