



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended December 31, 2001.

PRINCIPAL ACTIVITIES

The Company acts as 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2001 are set out in the consolidated income statement on page 22.

An interim dividend of 2.5 cents per share plus a special dividend of 2.5 cents per share, amounting to approximately HK\$28 million, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.0 cents per share and a special dividend of 5.0 cents per share to the shareholders on the register of members on June 25, 2002, amounting to approximately HK\$39 million.

In order to determine who are entitled to the proposed final dividend and special dividend, the register of members will be closed from June 21, 2002 to June 25, 2002, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, June 20, 2002.

Subject to the approval of shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched to shareholders on or about June 28, 2002.

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 63 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

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

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2001, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total turnover and purchases, respectively.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Fong Sou Lam (*Chairman*)
 Mr. Lee Che Chiu (*Managing Director*)
 Mr. Fong Kwok Leung, Kevin
 Mr. Fong Kwok Chung, Bill
 Mr. Cheuk Hon Kin, Kelvin
 Dr. Tsui Tak Ming, William
 Ms. Poon Hang Sim, Blanche

Independent non-executive directors:

Mr. Cheung Chiu Fan
 Mr. Lui Chi Lung, Louis

Mr. Cheung Chiu Fan was appointed under a contract for a term of 2 years commencing on January 1, 2001.

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

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

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting 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 SHARES

As at December 31, 2001, 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 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	10,506,000	–
Mr. Fong Kwok Leung, Kevin	1,550,000	342,575,601*
Mr. Fong Kwok Chung, Bill	1,838,000	342,575,601*
Mr. Cheuk Hon Kin, Kelvin	400,000	–
Ms. Poon Hang Sim, Blanche	300,000	–

* 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.



DIRECTORS' INTERESTS IN SHARES (Continued)

Other than as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group as at December 31, 2001, none of the directors, or their associates had any beneficial interest in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

The Company's share option scheme ("the Scheme") was approved and adopted on September 19, 2000 pursuant to a resolution passed on June 8, 2000. Under the Scheme, the Board of Directors of the Company may grant options to directors and full time employees of the Company and its subsidiaries to subscribe for shares of the Company.

At December 31, 2001, the number of shares in respect of which options had been granted under the Scheme was 43,800,000, representing 8% of the shares of the Company in issue at that date. The share options granted may be exercised at any time during a period of three years commencing on the date the share options are granted to subscribe for shares of the Company.

Each of the grantees is required to pay HK\$1.00 as cash consideration for the grant of the share options in accordance with the Scheme. The total number of shares in respect of which share options may be granted shall not exceed 10% of the issued ordinary share capital. The total number of options granted to any individual is not permitted to exceed 25% of the share options granted by the Company under the Scheme at any point of time. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the share.

The fair value of the options granted in the current year measured as at the date of grant, totalled approximately HK\$13,742,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

1. an expected volatility of 36%;
2. annual dividends of 56% of earnings; and
3. The corresponding three year Hong Kong Exchange Fund Notes rate for the options granted was 3.07% and based on the estimated expected life indicated.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.



SHARE OPTIONS (Continued)

The following table discloses movements in the Company's share options during the year:

Directors	Option type	At	Number of share options		At
		January 1, 2001	Granted	Exercised	December 31, 2001
Mr. Fong Sou Lam		–	10,000,000	10,000,000	–
Mr. Lee Che Chiu		–	6,000,000	6,000,000	–
Mr. Fong Kwok Leung, Kevin		–	1,200,000	1,200,000	–
Mr. Fong Kwok Chung, Bill		–	1,000,000	1,000,000	–
Mr. Cheuk Hon Kin, Kelvin		–	1,500,000	1,500,000	–
Dr. Tsui Tak Ming, William		–	1,500,000	1,500,000	–
Ms. Poon Hang Sim, Blanche		–	1,000,000	1,000,000	–
Total directors	(1)	–	22,200,000	22,200,000	–
Employees	(1)	–	21,450,000	20,400,000	1,050,000
	(2)	–	150,000	150,000	–
Total employees		–	21,600,000	20,550,000	1,050,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
(1)	April 19, 2001	4/19/2001 – 4/18/2004	0.48
(2)	April 20, 2001	4/20/2001 – 4/19/2004	0.51

The closing price of the Company's shares immediately before April 19, 2001 and April 20, 2001 are HK\$0.63 and HK\$0.71 respectively.

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.74.

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES

Other than as disclosed above, 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 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.



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").

The Group entered into operating lease agreements with Sou Lam for the leasing of a portion of a factory building. The operating leases agreements were all expired on December 31, 2001. Total rentals paid by the Group to Sou Lam for the year amounted to HK\$4,357,008.

On December 31, 2001, the Group had renewed an operating lease agreement with Sou Lam for the use of a portion of the same factory building for a term of three years from January 1, 2002 to December 31, 2004.

The above operating lease agreements were negotiated on an arm's length basis and the rentals were determined by independent rental valuations.

Other than as disclosed above, no other 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 respect of certain directors, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows no person as having an interest of 10% or more in the issued share capital of the Company as at December 31, 2001.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$600.

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 December 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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 15, 2002