

| D i r e c t o r s ' R e p o r t

The directors present their annual report and the audited financial statements for the year ended December 31, 2003.

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 and finishing machines, trading of stainless steel supplies, manufacture and sale of stainless steel casting products and property holding. The activities of its principal subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2003 are set out in the consolidated income statement on page 25.

An interim dividend of 9 cents per share plus a special dividend of 3 cents per share, amounting to approximately HK\$68 million, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 9 cents per share plus a special dividend of 7 cents per share to the shareholders on the register of members on May 25, 2004, amounting to approximately HK\$90 million, and the retention of the remaining profit for the year of approximately HK\$119 million.

Subject to the approval of the shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched to the shareholders on or before June 9, 2004.

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2003, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 12% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 38% of the Group's total purchases and purchases attributable to the Group's largest supplier was approximately 19% of the total purchases.

None of the directors, their associates, or any shareholder, which to the knowledge of the directors owns more than 5% of the Company's share capital, has any interest in the Group's five largest suppliers or customers.

| Directors' Report

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. Mo Yiu Leung, Jerry (appointed on November 28, 2003)
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, 2003 and expiring on December 31, 2004.

Mr. Lui Chi Lung, Louis was appointed under a contract for a term of 2 years commencing on September 9, 2002 and expiring on September 8, 2004.

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.

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DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at December 31, 2003, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in shares of the Company

Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Sou Lam	Beneficial owner	13,486,000	2.40%
Mr. Fong Kwok Leung, Kevin	Beneficial owner	1,550,000	0.28%
	Held by spouse	200,000	0.03%
	Held by discretionary trusts (<i>note</i>)	304,875,601	54.15%
		306,625,601	54.46%
Mr. Fong Kwok Chung, Bill	Beneficial owner	4,290,000	0.76%
	Held by discretionary trusts (<i>note</i>)	304,875,601	54.15%
		309,165,601	54.91%
Mr. Cheuk Hon Kin, Kelvin	Beneficial owner	350,000	0.06%
Ms. Poon Hang Sim, Blanche	Beneficial owner	150,000	0.03%

Note: The 304,875,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other Fong's family members. These shares represented an interest duplicated amongst those two directors.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at December 31, 2003.

| Directors' Report

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

Pursuant to an ordinary resolution passed on June 8, 2000 by the shareholders of the Company, the Company had approved a share option scheme pursuant to which share options might be granted to full-time employees, including executive directors, of the Group to subscribe for shares in the Company.

Termination of the aforementioned share option scheme and adoption of a New Share Option Scheme were approved by the shareholders of the Company at a special general meeting held on May 26, 2003 in order to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective from September 1, 2001.

During the years ended December 31, 2003 and 2002, no share option was granted to or exercised by any director of the Company. There are no share options outstanding at December 31, 2003 and 2002.

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES

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.

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 lease agreements will expire on December 31, 2004. Total rentals paid by the Group to Sou Lam for the year amounted to HK\$5,731,626.

The above transactions were negotiated at terms agreed between relevant parties.

Other than as disclosed above, no other contracts of significance to which the Company, its holding company, subsidiaries or fellow 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

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares of the Company

Ordinary shares of HK\$0.10 each of the Company.

Name of shareholder	Notes	Capacity	Number of issued ordinary shares	Percentage of the issued share capital of the Company
GBOGH Assets Limited	(1) & (2)	Beneficial owner	287,397,360	51.04%
J. P. Morgan Chase & Co.		Beneficial owner	67,300,000	11.95%
The Capital Group Companies Inc.		Beneficial owner	49,831,300	8.85%

Notes:

- (1) GBOGH Assets Limited is owned by a discretionary trust, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other Fong's family members.
- (2) The following companies are wholly-owned by GBOGH Assets Limited and their interests, as listed below, in the shares of the Company are included in the 287,397,360 shares listed under GBOGH Assets Limited:

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Sheffield Holdings Company Limited	Beneficial owner	58,197,360	10.33%
Reeds limited	Beneficial owner	57,600,000	10.23%
Runaway Holdings Limited	Beneficial owner	57,600,000	10.23%
Derby Holdings Company Limited	Beneficial owner	48,000,000	8.53%
Polar Bear Holdings Limited	Beneficial owner	48,000,000	8.53%
Bristol Investments Limited	Beneficial owner	18,000,000	3.19%

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at December 31, 2003.

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DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$525,188.

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.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended December 31, 2003 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

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 13, 2004