

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

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, 2004 are set out in the consolidated income statement on page 27.

An interim dividend of 7 cents per share plus a special dividend of 3 cents per share, amounting to approximately HK\$56 million, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share plus a special dividend of 7 cents per share to the shareholders on the register of members on May 25, 2005, amounting to approximately HK\$78 million, and the retention of the remaining profit for the year of approximately HK\$101 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 8, 2005.

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, 2004, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 11% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 42% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 17% 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 (<i>Chairman</i>)	
Mr. Wan Wai Yung (<i>Joint Managing Director</i>)	(appointed on March 1, 2005)
Mr. Lee Che Chiu (<i>Joint Managing Director</i>)	
Mr. Fong Kwok Leung, Kevin	
Mr. Fong Kwok Chung, Bill	
Mr. Mo Yiu Leung, Jerry	
Mr. Cheuk Hon Kin, Kelvin	
Dr. Tsui Tak Ming, William	
Ms. Poon Hang Sim, Blanche	
Mr. Tsui Wai Keung	(appointed on September 1, 2004)
Mr. Peter Rainer Philipp	(appointed on April 11, 2005)

Independent non-executive directors:

Mr. Cheung Chiu Fan	
Mr. Lui Chi Lung, Louis	
Dr. Yuen Ming Fai	(appointed on September 1, 2004)

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. Upon expiry, his term of office has been extended to December 31, 2006.

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. Upon expiry, his term of office has been extended to September 8, 2006.

Dr. Yuen Ming Fai was appointed under a contract for a term of 2 years commencing on September 1, 2004 and expiring on August 31, 2006.

The Company has received confirmations of independence from all independent non-executive directors and considers them to be independent.

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 THE SHARES OF THE COMPANY

As at December 31, 2004, 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 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	17,604,000	3.14%
Mr. Fong Kwok Leung, Kevin	Beneficial owner	1,550,000	0.28%
	Held by spouse	200,000	0.04%
	Held by discretionary trusts (note)	304,875,601	54.40%
		306,625,601	54.72%
Mr. Fong Kwok Chung, Bill	Beneficial owner	4,562,000	0.82%
	Held by discretionary trusts (note)	304,875,601	54.40%
		309,437,601	55.22%
Mr. Cheuk Hon Kin, Kelvin	Beneficial owner	50,000	0.01%
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.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the directors in trust for the Company or its subsidiaries, none of the directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at December 31, 2004.

Directors' Report

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 28 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, 2004 and 2003, no share option was granted to or exercised by any director of the Company. There are no share options outstanding at December 31, 2004 and 2003.

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 (including their spouse and children under 18 years of age) 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 expired on December 31, 2004. Total rentals paid by the Group to Sou Lam for the year amounted to HK\$5,638,412.

On December 30, 2004, 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, 2005 to December 31, 2007.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE (continued)

The above operating lease agreements constituting continuing connected transactions of the Company were negotiated at terms agreed between the relevant parties and the rentals were determined by independent rental valuations.

The independent non-executive directors of the Company have reviewed the above-mentioned continuing connected transactions and have confirmed that the continuing connected transactions were:

- (i) entered into in the ordinary and usual course of business;
- (ii) conducted on normal commercial terms, which were no less than favourable than those available to or from independent third parties; and
- (iii) fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no other contracts of significance to which the Company, its 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.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at December 31, 2004, the register maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
The Capital Group Companies Inc.	Beneficial owner	50,227,300	8.96%

Save as disclosed above, as at December 31, 2004, the Company has not been notified of any person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' Report

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$413,900.

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate. The emolument policy of the Group is reviewed by the directors of the Company regularly, making reference to legal framework, market conditions and performance of the Group and the individual employee.

The emolument packages of the directors of the Company will be reviewed by the directors of the Company regularly. A share option scheme was established by the Company on May 26, 2003 to grant share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Details of the share option scheme was set out in note 28 to the financial statements. No share option has been granted by the Company under the share option scheme since its adoption.

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.

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 33 to the financial statements.

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

During the year ended December 31, 2004, the Company purchased its own shares through the Stock Exchange. Details of the repurchase of shares are set out in note 26 to the financial statements.

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 ended December 31, 2004.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended December 31, 2004 with the Code of Best Practice contained in Appendix 14 of the Listing Rules.

The Code of Best Practice contained in Appendix 14 to the Listing Rules has been replaced by the Code on Corporate Governance Practices with effect from January 1, 2005 and the new Code will apply for subsequent reporting periods.

The Company has adopted the Code of Conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules during the year ended December 31, 2004 and all directors have complied with the required standard of dealings set out therein.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and auditors the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements and the continuing connected transactions for the year ended December 31, 2004.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

A resolution will be submitted at 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

Hong Kong, April 11, 2005