

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its securities are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. Its subsidiaries 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.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended December 31, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries prior to January 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions of subsidiaries after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit and loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intellectual property rights

Intellectual property rights are measured initially at cost and amortised on a straight-line basis over their estimated useful lives.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Property, plant and equipment

Property, plant and equipment, other than property held for redevelopment and construction in progress, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment, other than property held for redevelopment and construction in progress, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Buildings	Over the estimated useful lives from 25 to 50 years or over the terms of the leases, if less than 50 years
Leasehold improvements	10%
Plant and machinery	10%-20%
Furniture and equipment	20%
Motor vehicles	20%
Moulds and tools	20%

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

Properties held for redevelopment are stated at cost less any identified impairment loss. No depreciation is provided on properties held for redevelopment until the construction is completed.

Construction in progress represents buildings under construction in the People's Republic China, other than Hong Kong ("PRC") is stated at cost less any identified impairment loss. Cost includes all direct costs attributable to such projects. Construction in progress is not depreciated until the construction or installation is completed and the relevant assets are ready to be put into operation.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the terms of the relevant leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of subsidiaries, associates and a jointly controlled entity which are denominated in currencies other than Hong Kong dollars are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. All exchange differences arising on consolidation are dealt with in reserves.

Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development expenditure incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three principal activities – manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and manufacture and sale of stainless steel casting products. These principal activities are the basis on which the Group reports its primary segment information.

Notes to the Financial Statements

For the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)

Turnover represents the net amounts received and receivable less returns, and allowances, for goods sold by the Group to outside customers.

The unallocated corporate assets include mainly bank balances, deposits and cash and the unallocated corporate liabilities include mainly bank loans.

Segment information about these businesses is presented below:

2004

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Eliminations HK\$	Consolidated HK\$
TURNOVER					
External sales	963,219,414	653,912,085	126,741,285	-	1,743,872,784
Inter-segment sales	29,034,271	197,607,354	20,681,732	(247,323,357)	-
Total	<u>992,253,685</u>	<u>851,519,439</u>	<u>147,423,017</u>	<u>(247,323,357)</u>	<u>1,743,872,784</u>

Inter-segment sales are charged at terms agreed between relevant parties.

RESULTS

Segment results	<u>145,966,597</u>	<u>81,370,377</u>	<u>17,390,331</u>	-	244,727,305
Finance costs					(10,955,139)
Interest income					977,571
Share of results of associates					2,266,469
Share of results of a jointly controlled entity	35,471,076				<u>35,471,076</u>
Profit before tax					272,487,282
Income tax expense					(37,239,088)
Minority interests					<u>(136,051)</u>
Net profit for the year					<u>235,112,143</u>

Notes to the Financial Statements

For the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004 (continued)

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
ASSETS				
Segment assets	556,275,360	245,705,965	84,133,691	886,115,016
Interests in associates				31,800,764
Interest in a jointly controlled entity	57,486,349			57,486,349
Unallocated corporate assets				278,932,895
Consolidated total assets				<u>1,254,335,024</u>
LIABILITIES				
Segment liabilities	209,813,857	29,113,042	23,539,126	262,466,025
Unallocated corporate liabilities				199,223,415
Consolidated total liabilities				<u>461,689,440</u>

OTHER INFORMATION

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
Capital additions	79,284,476	1,209,229	3,064,652	83,558,357
Depreciation and amortisation	27,572,513	921,737	3,850,303	32,344,553
Loss (gain) on disposal of property, plant and equipment	178,130	–	(93,048)	85,082
Reversal of allowance for inventories	–	–	(221,937)	(221,937)
(Reversal of) allowance for doubtful debts	(1,762,080)	4,603,229	2,333,502	5,174,651
Increase in warranty provision	11,637,296	–	–	11,637,296

Notes to the Financial Statements

For the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Eliminations HK\$	Consolidated HK\$
TURNOVER					
External sales	924,018,554	357,107,252	69,254,273	–	1,350,380,079
Inter-segment sales	16,839,319	133,261,396	24,157,087	(174,257,802)	–
Total	940,857,873	490,368,648	93,411,360	(174,257,802)	1,350,380,079

Inter-segment sales are charged at terms agreed between relevant parties.

RESULTS					
Segment results	225,530,504	21,998,673	25,786,111	–	273,315,288
Finance costs					(4,874,750)
Interest income					1,325,762
Share of results of associates					2,667,207
Share of results of a jointly controlled entity	50,435,002				50,435,002
Profit before tax					322,868,509
Income tax expense					(47,901,247)
Minority interests					1,942,872
Net profit for the year					276,910,134

Notes to the Financial Statements

For the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003 (continued)

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
ASSETS				
Segment assets	422,310,965	168,161,040	60,575,457	651,047,462
Interests in associates				31,342,135
Interest in a jointly controlled entity	56,200,152			56,200,152
Unallocated corporate assets				224,743,490
Consolidated total assets				<u>963,333,239</u>
LIABILITIES				
Segment liabilities	137,588,086	38,801,575	17,051,880	193,441,541
Unallocated corporate liabilities				50,336,360
Consolidated total liabilities				<u>243,777,901</u>

OTHER INFORMATION

	Manufacture and sale of dyeing and finishing machines HK\$	Trading of stainless steel supplies HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
Capital additions	44,428,182	1,150,099	5,854,439	51,432,720
Depreciation and amortisation	26,319,367	738,777	6,636,813	33,694,957
Impairment loss on the property held for redevelopment	1,998,971	–	–	1,998,971
Loss (gain) on disposal of property, plant and equipment	677,448	(39,834)	1,586,690	2,224,304
Reversal of allowance for inventories	–	–	(1,471,520)	(1,471,520)
Allowance for doubtful debts	399,723	3,880,357	302,000	4,582,080
Increase in warranty provision	7,300,000	–	–	7,300,000

Notes to the Financial Statements

For the year ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Geographical segments**

The Group's operations are located in Hong Kong, the PRC, Germany and Switzerland.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Revenue by geographical market	
	2004 HK\$	2003 HK\$
The PRC	685,972,398	627,684,244
Hong Kong	571,565,506	420,137,457
Asia Pacific (other than the PRC and Hong Kong)	284,444,400	176,271,396
Europe	116,538,825	88,083,649
North and South America	67,100,890	28,256,638
Others	18,250,765	9,946,695
	1,743,872,784	1,350,380,079

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intellectual property rights, analysed by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intellectual property rights	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
The PRC	584,252,308	487,131,158	21,003,237	43,529,804
Hong Kong	500,099,831	464,359,223	3,377,107	7,121,127
Europe	166,235,933	8,897,745	59,178,013	781,789
	1,250,588,072	960,388,126	83,558,357	51,432,720

Notes to the Financial Statements

For the year ended 31 December 2004

5. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging (crediting):		
Allowance for doubtful debts	5,174,651	4,582,080
Amortisation of goodwill (included in administrative expenses)	2,974,379	2,974,380
Amortisation of intellectual property rights/intangible assets (included in administrative expenses)	1,205,144	174,371
Auditors' remuneration	1,214,047	1,005,939
Depreciation and amortisation:		
Owned assets	27,127,366	28,509,826
Assets held under finance leases	1,037,664	2,036,380
Impairment loss on property held for redevelopment (included in administrative expenses)	–	1,998,971
Loss on disposal of property, plant and equipment	85,082	2,224,304
Net foreign exchange gain	(6,078,824)	(7,838,027)
Research and development expenditure	846,806	903,266
Reversal of allowance for inventories	(221,937)	(1,471,520)
Staff costs, including directors' emoluments	143,708,131	124,489,574
Cost of inventories recognised as an expense	1,195,300,181	835,010,686
Gross rental income net of outgoings of HK\$162,722 (2003: HK\$145,616)	290,478	76,825

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004 HK\$	2003 HK\$
Directors		
Directors' fees:		
Executive	–	–
Independent non-executive	116,667	100,000
Other emoluments to executive directors:		
Salaries and other benefits	15,061,807	12,635,755
Performance related incentive payment	4,445,775	3,634,000
Retirement benefits scheme contribution	737,489	644,112
	20,361,738	17,013,867

Notes to the Financial Statements

For the year ended 31 December 2004

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil-HK\$1,000,000	4	3
HK\$1,000,001-HK\$1,500,000	1	1
HK\$1,500,001-HK\$2,000,000	2	3
HK\$2,000,001-HK\$2,500,000	2	–
HK\$2,500,001-HK\$3,000,000	1	2
HK\$3,000,001-HK\$3,500,000	1	–
HK\$4,500,001-HK\$5,000,000	1	1

Employees

The five highest paid individuals included four directors (2003: four), details of whose emoluments are set out above. The emoluments of the five highest paid individuals for the year were as follows:

	2004	2003
	HK\$	HK\$
Salaries and other benefits	13,540,452	13,010,400
Performance related incentive payment	4,569,000	3,409,000
Retirement benefits scheme contribution	697,208	638,799
	18,806,660	17,058,199

The emoluments of the employees were within the following bands:

	Number of employees	
	2004	2003
HK\$1,500,001-HK\$2,000,000	–	1
HK\$2,000,001-HK\$2,500,000	1	–
HK\$2,500,001-HK\$3,000,000	1	2
HK\$3,000,001-HK\$3,500,000	1	–
HK\$4,500,001-HK\$5,000,000	1	1
HK\$5,000,001-HK\$5,500,000	–	1
HK\$5,500,001-HK\$6,000,000	1	–

Notes to the Financial Statements

For the year ended 31 December 2004

7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	5,621,625	300,660
Obligations under finance leases	105,390	235,291
Bank charges	4,730,035	4,103,972
Factoring charges	498,089	234,827
	10,955,139	4,874,750

8. INCOME TAX EXPENSE

	2004 HK\$	2003 HK\$
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profits for the year		
Current year	29,107,926	26,275,757
Overprovision in prior years	(939,212)	(1,378,353)
Overseas income tax		
Current year	6,169,109	13,934,787
Overprovision in prior years	(8,035)	(3,316,773)
	34,329,788	35,515,418
Deferred tax (note 25)		
Current year	(1,856,399)	4,675,676
Attributable to a change in tax rate in Hong Kong	-	(473,056)
	(1,856,399)	4,202,620
Income tax attributable to the Company and its subsidiaries	32,473,389	39,718,038
Share of income tax attributable to associates	580,820	543,475
Share of income tax attributable to a jointly controlled entity	4,184,879	7,639,734
	37,239,088	47,901,247

Overseas income tax is calculated at rates prevailing in the respective jurisdictions.

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions.

Notes to the Financial Statements

For the year ended 31 December 2004

8. INCOME TAX EXPENSE (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2004		2003	
	HK\$	%	HK\$	%
Profit before tax	272,487,282		322,868,509	
Tax at the Hong Kong Profits Tax rate of 17.5%	47,685,274	17.5	56,501,989	17.5
Tax effect of:				
– expenses that are not deductible for tax purpose	432,025	0.1	2,111,656	0.6
– income that are not taxable for tax purpose	(2,543,542)	(1.0)	(3,653,842)	(1.1)
– tax losses not recognised	1,680,619	0.6	2,046,611	0.6
– share of results of associates	184,188	0.1	76,713	–
– share of results of a jointly controlled entity	(2,022,559)	(0.7)	(1,186,392)	(0.4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,437,149)	(2.7)	(2,652,238)	(0.8)
Increase in the opening deferred tax assets or liabilities resulting from an increase in tax rate	–	–	(473,056)	(0.1)
Overprovision in prior years	(947,247)	(0.3)	(4,695,126)	(1.4)
Others	207,479	0.1	(175,068)	(0.1)
Tax expense and effective tax rate for the year	37,239,088	13.7	47,901,247	14.8

Notes to the Financial Statements

For the year ended 31 December 2004

9. DIVIDENDS/SPECIAL DIVIDENDS

	2004 HK\$	2003 HK\$
Interim dividend of 7 cents (2003: 9 cents) per share	39,226,480	50,669,666
Proposed final dividend of 7 cents (2003: 9 cents) per share	39,226,480	50,669,666
Overprovision of final dividend (note)	(225,181)	–
	78,227,779	101,339,332
Special interim dividend of 3 cents (2003: 3 cents) per share	16,811,349	16,889,888
Proposed final special dividend of 7 cents (2003: 9 cents) per share	39,226,480	39,409,740
Overprovision of final special dividend (note)	(175,140)	–
	55,862,689	56,299,628

Note: The amounts represented the final dividend and final special dividend for the shares repurchased during the year before payment of the dividends.

The final dividend and final special dividend of 7 HK cents and 7 HK cents, respectively per share have been proposed by the directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year of HK\$235,112,143 (2003: HK\$276,910,134) and the weight average number of 561,227,668 ordinary shares (2003: number of 562,996,285 ordinary shares) in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue in either year.

Notes to the Financial Statements

For the year ended 31 December 2004

11. PROPERTY, PLANT AND EQUIPMENT

	Property held for redevelopment	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Moulds and tools	Construction in progress	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP									
COST									
At January 1, 2004	18,732,820	199,638,825	4,661,150	121,494,809	45,001,569	16,617,973	5,877,001	17,537,970	429,562,117
Currency realignment	-	-	-	35,663	100,965	44,266	-	-	180,894
Reclassifications	-	8,011,571	-	1,270,998	(241,830)	-	-	(9,040,739)	-
Additions	-	20,339,627	378,988	13,407,398	8,472,528	1,059,572	174,594	10,802,197	54,634,904
Disposals	-	-	-	(2,277,886)	(407,369)	(614,453)	-	-	(3,299,708)
At December 31, 2004	18,732,820	227,990,023	5,040,138	133,930,982	52,925,863	17,107,358	6,051,595	19,299,428	481,078,207
DEPRECIATION AND AMORTISATION									
At January 1, 2004	7,917,820	67,815,338	1,277,584	49,558,777	31,906,526	9,704,484	4,159,935	-	172,340,464
Currency realignment	-	-	-	8,679	8,950	-	-	-	17,629
Provided for the year	-	9,502,110	725,013	10,160,650	5,044,322	2,346,994	385,941	-	28,165,030
Eliminated on disposals	-	-	-	(1,667,437)	(338,883)	(614,453)	-	-	(2,620,773)
At December 31, 2004	7,917,820	77,317,448	2,002,597	58,060,669	36,620,915	11,437,025	4,545,876	-	197,902,350
NET BOOK VALUES									
At December 31, 2004	10,815,000	150,672,575	3,037,541	75,870,313	16,304,948	5,670,333	1,505,719	19,299,428	283,175,857
At December 31, 2003	10,815,000	131,823,487	3,383,566	71,936,032	13,095,043	6,913,489	1,717,066	17,537,970	257,221,653

Property held for redevelopment is temporarily held for use under operating leases.

The net book values of property held for redevelopment and leasehold land and buildings at December 31, 2004 comprise properties held on medium-term leases in Hong Kong, PRC and Europe of HK\$13,658,331 (2003: HK\$13,731,022), HK\$127,113,339 (2003: HK\$128,907,465) and HK\$20,715,905 (2003: Nil), respectively.

The net book values of the Group's plant and machinery and motor vehicles include an amount of HK\$4,766,668 (2003: HK\$5,404,401) and HK\$346,600 (2003: HK\$1,053,064), respectively, in respect of assets held under finance leases.

The Group pledged leasehold land and buildings with a carrying amount of approximately HK\$13,658,331 (2003: HK\$13,731,022) to secure banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31 December 2004

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	36,584,983	36,584,983

The cost of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became ultimate holding company of the Group under the group reorganisation undertaken for the purpose of the listing of the Company's shares, and the cost of investments in subsidiaries purchased subsequent to the group reorganisation.

Details of the Company's principal subsidiaries at December 31, 2004 are set out in note 35.

13. INTELLECTUAL PROPERTY RIGHTS

	HK\$
THE GROUP	
COST	
Additions during the year and balance at December 31, 2004	28,923,453
AMORTISATION	
Provided for the year and balance at December 31, 2004	1,205,144
CARRYING AMOUNT	
At December 31, 2004	27,718,309

Intellectual property rights are amortised on a straight-line basis over ten years.

14. GOODWILL

	HK\$
THE GROUP	
COST	
At January 1, 2004 and December 31, 2004	8,923,139
AMORTISATION	
At January 1, 2004	5,948,760
Charge for the year	2,974,379
At December 31, 2004	8,923,139
NET BOOK VALUE	
At December 31, 2004	-
At December 31, 2003	2,974,379

Goodwill is amortised on a straight-line basis over three years.

Notes to the Financial Statements

For the year ended 31 December 2004

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Share of net assets	31,800,764	31,342,135

At the balance sheet date, the principal associate of the Group represented a 30% interest in Foshan East Asia Company Limited ("Foshan East Asia"), a company registered and operated in the PRC and engaged in the manufacture of colour woven fabrics. The following details are extracted from the management accounts of Foshan East Asia:

Operating results for the year:

	2004	2003
	HK\$	HK\$
Turnover	208,131,603	176,009,210
Profit before tax	6,891,050	8,416,818
Profit before tax attributable to the Group	2,067,315	2,525,045

Financial position:

Non-current assets	127,935,741	137,608,713
Current assets	185,001,570	163,972,689
Total liabilities	(206,835,789)	(196,785,555)
Minority interests	(5,473,998)	(5,132,824)
	100,627,524	99,663,023
Shareholders' funds attributable to the Group	30,188,257	29,898,907

In the opinion of the directors, Foshan East Asia is the only associate which will principally affect the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 December 2004

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$	2003 HK\$
Share of net assets	57,486,349	56,200,152

At the balance sheet date, the Group held a 50% interest in Monforts Fong's Textile Machinery Co. Limited ("Monforts Fong's"), a company incorporated in Hong Kong and engaged in the manufacture and trading of textile machinery in the PRC. The following details are extracted from the audited financial statements of Monforts Fong's:

Operating results for the year:

	2004 HK\$	2003 HK\$
Turnover	299,863,323	305,753,352
Profit before tax	70,942,152	100,870,005
Profit before tax attributable to the Group	35,471,076	50,435,003
Financial position:		
Non-current assets	30,678,890	15,397,492
Current assets	148,791,376	160,836,547
Total liabilities	(64,497,568)	(63,833,735)
	114,972,698	112,400,304
Shareholders' funds attributable to the Group	57,486,349	56,200,152

Notes to the Financial Statements

For the year ended 31 December 2004

17. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Raw materials	257,100,689	170,329,861
Work in progress	63,760,060	39,047,504
Finished goods	72,578,450	56,005,395
	393,439,199	265,382,760

Included above are raw materials of HK\$4,793,448 (2003: HK\$12,167,936), work in progress of HK\$6,313,671 (2003: HK\$2,229,084) and finished goods of HK\$13,844,520 (2003: HK\$9,415,084), which are carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days (2003: 60 days) to its trade customers.

The following is an aged analysis of trade receivables:

	THE GROUP	
	2004	2003
	HK\$	HK\$
0-30 days	108,620,294	62,936,688
31-60 days	16,653,252	3,652,360
Over 60 days	7,600,531	1,010,770
	132,874,077	67,599,818

19. AMOUNT DUE FROM (TO) A JOINTLY CONTROLLED ENTITY**THE GROUP**

The amount, which is aged within 60 days, is unsecured, interest-free and has no fixed repayment term.

20. AMOUNTS DUE FROM SUBSIDIARIES**THE COMPANY**

The amounts are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

For the year ended 31 December 2004

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables:

	THE GROUP	
	2004	2003
	HK\$	HK\$
0-30 days	70,178,817	77,484,647
31-60 days	9,053,202	9,289,224
over 60 days	3,891,133	1,980,607
	83,123,152	88,754,478

22. WARRANTY PROVISION

	THE GROUP
	HK\$
At January 1, 2004	6,300,000
Additional provision in the year	11,637,296
Utilisation of provision	(6,872,787)
At December 31, 2004	11,064,509

The warranty provision represents management's best estimate of the Group's liability under 12-month warranty period granted on the sale of dyeing and finishing machines based on past experience.

The Company had no provision at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2004

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Amount payable under finance leases:				
Within one year	1,543,788	2,340,001	1,518,217	2,231,885
In the second to fifth year inclusive	–	1,544,611	–	1,518,067
	1,543,788	3,884,612	1,518,217	3,749,952
Less: Future finance charges	(25,571)	(134,660)	N/A	N/A
Present value of lease obligations	1,518,217	3,749,952	1,518,217	3,749,952
Less: Amount due within one year shown under current liabilities			(1,518,217)	(2,231,885)
Amount due after one year			–	1,518,067

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease terms range from 1 to 3 years. For the year ended December 31, 2004, the effective borrowing rates ranged from 3.3% to 5% (2003: 3.3% to 6%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

Notes to the Financial Statements

For the year ended 31 December 2004

24. BANK BORROWINGS

	THE GROUP	
	2004 HK\$	2003 HK\$
Bank borrowings comprise the following:		
Trust receipt loans	110,851,056	38,257,757
Bank loans	70,000,000	–
	180,851,056	38,257,757
Secured	69,254,973	25,467,153
Unsecured	111,596,083	12,790,604
	180,851,056	38,257,757

The bank borrowings are repayable within one year.

During the year, the Group obtained new bank loans in the amount of HK\$70,000,000. The loans bear interest at market rates and will be repayable in 2005. The proceeds were used to finance the operations of the Group.

Notes to the Financial Statements

For the year ended 31 December 2004

25. DEFERRED TAX

The following are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior periods:

	Accelerated tax depreciation HK\$	Allowance for doubtful debts HK\$	Allowance for inventories HK\$	Tax losses HK\$	Others HK\$	Total HK\$
At January 1, 2003	745,441	(1,000,411)	(846,529)	(2,424,432)	(1,520,000)	(5,045,931)
Charge (credit) to income statement for the year	1,286,476	(708,075)	336,878	2,651,722	1,108,675	4,675,676
Effect of a change in tax rate charge (credit) to income statement	69,885	(93,789)	(79,362)	(227,290)	(142,500)	(473,056)
At December 31, 2003 and January 1, 2004	2,101,802	(1,802,275)	(589,013)	–	(553,825)	(843,311)
(Credit) charge to income statement for the year	(1,193,498)	(905,564)	38,839	–	203,824	(1,856,399)
At December 31, 2004	908,304	(2,707,839)	(550,174)	–	(350,001)	(2,699,710)

The following is the analysis of the deferred tax (assets) liabilities for financial reporting purposes:

	2004 HK\$	2003 HK\$
Deferred tax assets	(3,746,952)	(2,945,113)
Deferred tax liabilities	1,047,242	2,101,802
	(2,699,710)	(843,311)

At the balance sheet date, the Group has unused tax losses of approximately HK\$26,000,000 (2003: HK\$14,200,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$9,600,000 (2003: HK\$9,600,000) and HK\$2,900,000 (2003: Nil) that will expire in 2010 and 2011 respectively. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2004

26. SHARE CAPITAL

	2004 HK\$	2003 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
Issued and fully paid:		
At beginning of the year, 562,996,285 (2003: 562,996,285) ordinary shares of HK\$0.10 each	56,299,629	56,299,629
Repurchase of shares	(261,800)	–
At end of the year, 560,378,285 (2003: 562,996,285) ordinary shares of HK\$0.10 each	56,037,829	56,299,629

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April	2,502,000	6.85	6.60	16,853,300
May	116,000	6.85	6.75	789,700
	2,618,000			17,643,000

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase amounting to HK\$17,362,640 (net of dividend entitlement of HK\$18,560) was charged against share premium. An amount of HK\$261,800 equivalent to the nominal value of the cancelled shares was transferred from retained profits to capital redemption reserve.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Notes to the Financial Statements

For the year ended 31 December 2004

27. RESERVES

	Share premium HK\$	Dividend reserve HK\$	Capital redemption reserve HK\$	Translation reserve HK\$	Retained profits HK\$	Contributed surplus HK\$	Total HK\$
THE GROUP							
At January 1, 2003	216,087,846	73,189,518	1,215,200	(14,485,332)	222,337,054	25,582,177	523,926,463
Exchange difference arising on translation of overseas subsidiaries not reflected in the income statement	-	-	-	1,556,908	-	-	1,556,908
Net profit for the year	-	-	-	-	276,910,134	-	276,910,134
Final dividend for 2002	-	(36,594,759)	-	-	-	-	(36,594,759)
Final special dividend for 2002	-	(36,594,759)	-	-	-	-	(36,594,759)
Interim dividend for 2003	-	-	-	-	(50,669,666)	-	(50,669,666)
Interim special dividend for 2003	-	-	-	-	(16,889,888)	-	(16,889,888)
Proposed final dividend for 2003	-	50,669,666	-	-	(50,669,666)	-	-
Proposed final special dividend for 2003	-	39,409,740	-	-	(39,409,740)	-	-
At December 31, 2003 and January 1, 2004	216,087,846	90,079,406	1,215,200	(12,928,424)	341,608,228	25,582,177	661,644,433
Repurchase of shares	(17,362,640)	-	261,800	-	(261,800)	-	(17,362,640)
Exchange difference arising on translation of overseas subsidiaries not reflected in the income statement	-	-	-	1,183,406	-	-	1,183,406
Net profit for the year	-	-	-	-	235,112,143	-	235,112,143
Final dividend for 2003	-	(50,669,666)	-	-	-	-	(50,669,666)
Final special dividend for 2003	-	(39,409,740)	-	-	-	-	(39,409,740)
Interim dividend for 2004	-	-	-	-	(39,001,299)	-	(39,001,299)
Interim special dividend for 2004	-	-	-	-	(16,636,209)	-	(16,636,209)
Proposed final dividend for 2004	-	39,226,480	-	-	(39,226,480)	-	-
Proposed final special dividend for 2004	-	39,226,480	-	-	(39,226,480)	-	-
At December 31, 2004	198,725,206	78,452,960	1,477,000	(11,745,018)	442,368,103	25,582,177	734,860,428

The retained profits of the Group included HK\$14,906,807 (2003: HK\$13,221,158) and HK\$97,318,349 (2003: HK\$66,032,152) attributable to associates and a jointly controlled entity of the Group, respectively.

Notes to the Financial Statements

For the year ended 31 December 2004

27. RESERVES (continued)

The translation reserve of the Group included HK\$4,660,293 (2003: HK\$4,660,293) attributable to an associate of the Group.

	Share premium HK\$	Dividend reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Contributed surplus HK\$	Total HK\$
THE COMPANY						
At January 1, 2003	216,087,846	73,189,518	1,215,200	–	23,033,335	313,525,899
Net profit for the year	–	–	–	223,022,098	–	223,022,098
Final dividend for 2002	–	(36,594,759)	–	–	–	(36,594,759)
Final special dividend for 2002	–	(36,594,759)	–	–	–	(36,594,759)
Interim dividend for 2003	–	–	–	(50,669,666)	–	(50,669,666)
Interim special dividend for 2003	–	–	–	(16,889,888)	–	(16,889,888)
Proposed final dividend for 2003	–	50,669,666	–	(50,669,666)	–	–
Proposed final special dividend for 2003	–	39,409,740	–	(39,409,740)	–	–
At December 31, 2003 and January 1, 2004	216,087,846	90,079,406	1,215,200	65,383,138	23,033,335	395,798,925
Repurchase of shares	(17,362,640)	–	261,800	(261,800)	–	(17,362,640)
Net profit for the year	–	–	–	119,977,502	–	119,977,502
Final dividend for 2003	–	(50,669,666)	–	–	–	(50,669,666)
Final special dividend for 2003	–	(39,409,740)	–	–	–	(39,409,740)
Interim dividend for 2004	–	–	–	(39,001,299)	–	(39,001,299)
Interim special dividend for 2004	–	–	–	(16,636,209)	–	(16,636,209)
Proposed final dividend for 2004	–	39,226,480	–	(39,226,480)	–	–
Proposed final special dividend for 2004	–	39,226,480	–	(39,226,480)	–	–
At December 31, 2004	198,725,206	78,452,960	1,477,000	51,008,372	23,033,335	352,696,873

The contributed surplus of the Company represents the excess of the value of the net assets of the subsidiaries at the date at which they were acquired by the Company over the nominal value of the shares issued by the Company for the acquisition at the time of group reorganisation on September 13, 1990.

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the entire issued share capital of Fong's Manufacturers Company Limited, the then holding company, acquired pursuant to a corporate reorganisation on September 13, 1990, less goodwill or capital reserve arising on consolidation.

27. RESERVES (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2004	2003
	HK\$	HK\$
Contributed surplus	23,033,335	23,033,335
Retained profits	51,008,372	65,383,138
Dividend reserve	78,452,960	90,079,406
	152,494,667	178,495,879

28. SHARE OPTIONS SCHEMES**(a) 2000 Scheme**

A share option scheme (the "2000 Scheme") of the Company, which was approved and adopted on September 19, 2000 pursuant to a resolution passed on June 8, 2000 for the primary purpose of providing incentives to directors and eligible employees, was terminated on May 26, 2003. Under the 2000 Scheme, the board of directors of the Company might grant share options to directors and full time employees of the Company and its subsidiaries to subscribe for shares of the Company.

Share options granted must be taken up within 28 days of the date of grant. 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 2000 Scheme. The total number of shares in respect of which issued upon exercise of share options to be granted shall not exceed 10% of the total number of shares of the Company in issue from time to time, excluding shares issued on exercise of share options granted under the 2000 Scheme. The exercise price is determined by the directors of the Company, and shall not be less than the highest 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.

Notes to the Financial Statements

For the year ended 31 December 2004

28. SHARE OPTIONS SCHEMES (continued)

(a) 2000 Scheme (continued)

No share option had been granted or exercised by any of the directors of the Company under the 2000 Scheme during the year ended December 31, 2004 and 2003. There were no share options under the 2000 Scheme outstanding at December 31, 2004 and 2003.

(b) 2003 Scheme

A new share option scheme (the "2003 Scheme") of the Company was adopted on May 26, 2003 for the purpose of providing a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants, including the executive directors of the Company as determined by the board of the directors of the Company.

The board of directors of the Company may, at their discretion, grant share options to the eligible participants including any employees, directors or consultants of the Group. The maximum number of shares of the Company which may be issued upon exercise of all share options granted under its 2003 Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of shares issuable under the share options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

Share options granted must be taken up within 28 days of the date of grant. 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 2003 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 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.

No share option has been granted under the 2003 Scheme during the year ended December 31, 2004 and 2003.

The 2003 Scheme is valid for a period of 10 years commencing on May 26, 2003 and will expire on May 25, 2013.

Notes to the Financial Statements

For the year ended 31 December 2004

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Export bills discounted with recourse	24,707,137	7,874,407	–	–
Guarantees given to bankers in respect of banking facilities granted to subsidiaries	–	–	854,912,000	517,600,962

At the balance sheet date, the extent of banking facilities utilised by the subsidiaries amounted to approximately HK\$181 million (2003: HK\$38 million).

30. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$	2003 HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	1,772,641	11,159,604

At the balance sheet date, the Company did not have any significant capital commitments.

Notes to the Financial Statements

For the year ended 31 December 2004

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases for rented premises during the year amounted to HK\$6,012,756 (2003: HK\$6,160,213).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	5,700,471	5,028,671
In the second to fifth year inclusive	10,852,981	–
	<u>16,553,452</u>	<u>5,028,671</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and residential units for its employees. Leases are negotiated and rentals are fixed for an average term of two years.

The Group as lessor

Property rental income earned during the year was HK\$453,200 (2003: HK\$222,441). The property is expected to generate rental yield of 4.2% (2003: 2.2%) on a temporary basis. The property held has committed tenants for less than one year.

32. RETIREMENT BENEFITS SCHEME

The Group has a defined contribution provident fund scheme (the "Scheme") for its Hong Kong employees. The scheme assets are being held under a provident fund operated by AXA Rosenberg Investment Management Asia Pacific Limited with Messrs. Fong Sou Lam and Fong Kwok Chung, Bill as trustees and Hastings Service & Company Limited as an additional trustee.

The Group is required to make contributions to the Scheme calculated at 5% of the employees' basic salaries on a monthly basis. The Group's contribution will further increase proportionally to a maximum of 8% of each employee's basic salary after completion of three years of service to the Group. The employees are entitled to 100% of the employers' contribution and the accrued interest after 10 years' of completed service, or at a reduced scale of between 30% to 100% after completion of 3 to 10 years' service. The forfeited contributions and related accrued interest are to be used to reduce the employers' contribution.

On July 28, 2000, the above provident fund scheme was granted an exemption on the Mandatory Provident Fund Scheme ("MPF Scheme"). The principal deed and the rules of the above provident fund scheme were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance ("MPF Ordinance").

With effect from December 1, 2000, the Group also participated in MPF Scheme. The MPF scheme assets are held under a mandatory provident fund operated by AXA Rosenberg Investment Management Asia Pacific Limited. Under the MPF Scheme, the Group is required to make contributions to the scheme calculated at lower of 5% of the employees' relevant income or HK\$1,000 (as defined in the MPF Ordinance) on a monthly basis.

The employees entitled to participate in the Scheme before December 1, 2000 were given an option to join the MPF Scheme or to continue making contributions to the Scheme. All other existing or newly employed employees are required to join the MPF Scheme. The Group is required to make contributions to either of the two schemes in accordance with the option selected by the employees.

The aggregate employers' contributions, net of forfeited contributions, which have been dealt with in the income statement of the Group amounted to:

	2004	2003
	HK\$	HK\$
Gross employers' contributions	2,718,077	2,596,834
Less: Forfeited contributions utilised to offset employers' contributions for the year	(4,730)	(179,845)
Net employers' contributions charged to the income statement	2,713,347	2,416,989

At the balance sheet date, there were no forfeited contributions available to offset future employers' contributions to the schemes.

Notes to the Financial Statements

For the year ended 31 December 2004

33. POST BALANCE SHEET EVENT

Subsequent to December 31, 2004, the Group disposed of the property held for redevelopment for an aggregate consideration of approximately HK\$20,600,000.

34. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions to related companies in which Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests.

	2004 HK\$	2003 HK\$
Management fee received	313,213	328,525
Rental paid	5,638,412	5,731,626

In addition, the Group entered into the following transactions with the jointly controlled entity:

	2004 HK\$	2003 HK\$
Sale of goods	1,543,246	1,981,249
Purchase of materials	11,564,892	14,337,089
Commission and management fee received	20,055,036	20,243,281
Compensation received for plant reallocation	-	2,100,000

The above transactions were carried out at market price or where no market price was available, at cost.

Notes to the Financial Statements

For the year ended 31 December 2004

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration/ operations	Nominal value of issued capital/ registered capital	Proportion of share capital/ registered capital attributable to the Company		Principal activity
			Directly held	Indirectly held	
Falmer Investments Ltd.	British Virgin Islands/ The PRC	US\$1	–	100%	Research and development
Fong's Engineering Services Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in steel and provision of management services to group companies
Fong's Manufacturers Company Limited	British Virgin Islands/ Hong Kong	US\$10,000	100%	–	Investment holding
Fong's National Engineering Company, Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$8,000,000 (note)	–	100%	Trading of dyeing and finishing machines
Fong's National Engineering (Shenzhen) Company Limited	The PRC *	US\$22,500,000	–	100%	Manufacture of dyeing and finishing machines
Fong's Steels Supplies Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in stainless steel supplies
Sunshine Glory Limited	British Virgin Islands/ The PRC	US\$10	–	100%	Investment holding
Tycon Alloy Industries (Hong Kong) Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in metal castings products
Tycon Alloy Industries (Shenzhen) Co. Ltd.	The PRC *	US\$4,350,000	–	100%	Manufacture of metal castings products
Vastpark Limited	Hong Kong	HK\$2	–	100%	Property holding
THEN Maschinen (HK) Limited	Hong Kong	HK\$1	–	100%	Investment holding and trading in technical parts

Notes to the Financial Statements

For the year ended 31 December 2004

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operations	Nominal value of issued capital/ registered capital	Proportion of share capital/ registered capital attributable to the Company		Principal activity
			Directly held	Indirectly held	
THEN Maschinen GmbH	Germany	EUR1,900,000	–	100%	Trading and manufacture of textile machinery and technical parts
Xorella Hong Kong Limited	Hong Kong	US\$3,500,000	–	80%	Trading in textile machinery and technical parts
Xorella AG	Switzerland	CHF350,000	–	80%	Manufacture of textile machinery and technical parts

* A wholly-owned foreign enterprise

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.

Note: The deferred shares entitle the holders to dividends from one half of the remaining net profit after the first HK\$10,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company. The deferred shares also entitle the holders to participate in distribution of one half of the surplus assets on winding up after the first HK\$20,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company.