DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay an interim dividend of 8 cents per share plus an interim special dividend of 3 cents per share (2004: an interim dividend of 7 cents per share plus an interim special dividend of 3 cents per share) to the shareholders of the Company whose names appear in the Register of Members of the Company on September 30, 2005.

It is expected that dividend warrants will be sent to the shareholders on or around October 12, 2005.

The Register of Members of the Company will be closed from September 26, 2005 to September 30, 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and interim special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at the Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, September 23, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Results

For the six months ended June 30, 2005, the Group's turnover and net profit were approximately HK$1,078,239,000 (2004: HK$763,736,000) and HK$141,303,000 (2004: HK$118,588,000) respectively as a result of overall sales growths in all three of the Group's business segments. Basic earnings per share for the period was 25.22 HK cents (2004: 21.10 HK cents).

Dyeing and Finishing Machine Manufacturing

Fong's National Engineering Company, Limited, Fong's National Engineering (Shenzhen) Co., Ltd., THEN Maschinen GmbH, XORELLA Hong Kong Limited and XORELLA AG.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

For the period under review, the revenue from this segment as a whole was approximately HK$635,420,000 (2004: HK$396,446,000), representing an increase of 60% as compared with the same period last year. It accounted for approximately 59% (2004: 52%) of the Group's consolidated turnover. The operating profit grew 27% to approximately HK$101,920,000 (2004: HK$80,388,000) as compared with the same period last year.

Furthermore, a large part of the sales growth in this segment was the result of the acquisition of our German subsidiary, THEN Maschinen GmbH during the second half of 2004. During the period under review, this subsidiary recorded a turnover of approximately HK$116,000,000 representing approximately 18% of our dyeing machine sales. The Group has confidence that this German subsidiary can be successfully turnaround in the year to come and its renowned "**THEN**" branded products will make substantial contribution to the Group's sales and operating profit in the near future.

As regards our 80% owned subsidiaries, XORELLA Hong Kong Limited and XORELLA AG both engaging in the business of yarn conditioning equipment, they recorded a consolidated turnover of approximately HK$26,000,000 and an operating loss of approximately HK$1,700,000 for the six months ended June 30, 2005 as compared with a turnover of approximately HK$26,000,000 and operating profit of approximately HK$1,200,000 in the same period last year. The poor performance of these subsidiaries was mainly attributable to higher material costs and poor marketing efforts. Consequently, the marketing of the core XORELLA products is currently being reorganised to improve the performance of these subsidiaries. In addition, both research and marketing efforts are underway to develop newer applications of the XORELLA technology in order to further expand its product range and which together should see improvements of these subsidiaries in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Stainless Steel Trading

Fong's Steels Supplies Company Limited

For the six months ended June 30, 2005, the turnover of this trading segment increased 12% to approximately HK$354,852,000 (2004: HK$316,273,000). It accounted for 33% (2004: 41%) of the Group's consolidated turnover. The operating profit dropped 8% to approximately HK$39,286,000 (2004: HK$42,855,000) as compared with the corresponding period last year. During the period under review, we have seen stainless steel prices peaking in the second quarter of 2005 and have since experienced gradual price easing for this segment. Consequently, the margins of this business were somewhat lower for the period as compared to the previous year when stainless steel was experiencing a consistent price rise.

Looking ahead, we expect the profit margins of this business will trend back to more historical average levels as it appears that stainless steel prices will further stabilize after peaking in the second quarter of 2005. In addition, the management will continue to adopt a prudent approach in inventory management and account receivables management with a view to stabilize the profit of this segment.

Lastly, strategically, this business segment continues to serve the role of an internal supplier of stainless steel, a major raw material, to our other manufacturing segments to ensure the adequate source of supply and constant quality of stainless steels and thus maintain the competitive edge of the Group's manufacturing businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Stainless Steel Casting

Tycon Alloy Industries (Hong Kong) Company Limited and Tycon Alloy Industries (Shenzhen) Co., Ltd.

For the six months ended June 30, 2005, this segment recorded a turnover of approximately HK$87,967,000 (2004: HK$51,017,000). It represents an increase of 72% as compared with the same period last year. It accounted for 8% (2004: 7%) of the Group's consolidated turnover. The operating profit grew 100% to approximately HK$12,628,000 (2004: HK$6,306,000).

Following the margin squeeze experienced in the first half of 2004 due to the abrupt rise in stainless steel prices, this segment has been recovering very steadily as a result of renegotiations of orders and the ability to pass on part of the cost increases to our customers. Consequently, sales have increased in both unit prices and volume due to improved demand resulting in better profit performance.

Jointly Controlled Entity

Monforts Fong's Textile Machinery Co. Limited ("Monforts Fong's")

For the six months ended June 30, 2005, the turnover of Monforts Fong's was approximately HK$196 million (2004: HK$121 million), representing an increase of 62% as compared with the same period last year, while the Group's share of profit after tax amounted to approximately HK$15,629,000 (2004: HK$11,478,000) representing an increase of 36% as compared with the same period last year.

As mentioned in our Annual Report 2004, the new production plant has become fully operational and its production capacity has potentially doubled. The management believes that the new plant will surely enhance its ability to manufacture a wider range of products and achieve the benefits of economy of scale with the effect of reducing costs and improving profit.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Associates

Foshan East Asia Company Limited (a 30% owned associate)

For the period under review, the sales revenue of woven color fabrics conducted by this associate amounted to approximately HK$89 million (2004: HK$89 million) and the Group's share of profit after tax was approximately HK$648,000 (2004: HK$532,000). The sales and profit remained largely unchanged. The Group believes that Foshan East Asia Company Limited will continue to contribute positively to the Group's overall results.

Prospects

For our core business of dyeing and finishing machinery, following a solid recovery starting in the second half of 2004, the second half of 2005 looks to be quite challenging due to the on-going and unresolved textile trade dispute between China and the major textile importing regions of the EU and the United States. Moreover, this dispute has dragged on much longer than we have anticipated and is starting to cause major disruptions in the textile to retail supply chain and which in turn is affecting our major markets of Hong Kong and China based customers. Consequently, the performance of our business in the second half will very much be dependant upon how quickly the above mentioned trade dispute can be resolved. Nevertheless, looking beyond the immediate six months, the fundamental of the textile industry in Asia remains strong and we remain cautiously optimistic of the continued growth of the Group's core and other existing businesses.

And in order to cope with these challenges, the Group will continue to invest in research and development and to provide a wider range of machines of superior quality for our customers. The Group will also increase its marketing efforts and broaden its customer base by expanding its sales team and distribution channels in the overseas markets. It is anticipated that with the complete elimination of quota restraints among the members of WTO effective from 2008 and the continued GDP growth in Asia, a solid business outlook for the Asian textile industry will prevail.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In addition, the Group will continue to explore other investment opportunities that have earning potentials to expand and/or to diversify its businesses.

Liquidity and Capital Resources

The Board considers the Group's financial position as healthy and believes that the Group has adequate resources to meet it cash flow requirements.

As at June 30, 2005, there was no gearing ratio shown as the Group had a net cash and bank balance (net of borrowings) of approximately HK$14 million. The current ratio was 1.71 reflecting a healthy liquidity level.

As at June 30, 2005, bank borrowings amounted to approximately HK$317 million of which approximately 33% were secured by certain assets of the Group. All bank borrowings are repayable within one year. Most bank borrowings were sourced from Hong Kong, of which 53% were denominated in US dollars and the remaining were denominated in Hong Kong dollars. The bank borrowings of the Group are predominantly subject to floating interest rates.

As at June 30, 2005, the cash and bank balance amounted to approximately HK$331 million of which 47% were denominated in Renminbi, 20% in Hong Kong dollars, 15% in Swiss France, 7% in US dollars, 6% in Euro and 5% in Japanese yen.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Human Resources

As at June 30, 2005, the Group had a total of approximately 3,450 employees spreading among China, Hong Kong, Germany, Switzerland and Thailand.

Employees are remunerated based on their performance, experience and the prevailing industry practice. The Group's remuneration policies and packages are being reviewed by its management on a periodic basis. Bonus is awarded to employees according to the assessment of individual performance and industrial practice. Other employee benefits available for eligible employees include retirement benefits scheme and share option scheme. Up to the date of this announcement, no share option had been granted under the existing share option scheme adopted by the Company.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at June 30, 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows: