NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended December 31, 2006)

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its securities are listed on the Stock Exchange. The address of the registered office and principal place of business of the Company is disclosed in the section of "Corporate Information" in the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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 and the manufacture and sale of stainless steel casting products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after December 1, 2005 or January 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standard, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – Int 8	Scope of HKFRS 2[4]
HK(IFRIC) – Int 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – Int 10	Interim financial reporting and impairment[6]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – Int 12	Service Concession Arrangements[8]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[1] Effective for annual periods beginning on or after January 1, 2007
[2] Effective for annual periods beginning on or after January 1, 2009
[3] Effective for annual periods beginning on or after March 1, 2006
[4] Effective for annual periods beginning on or after May 1, 2006
[5] Effective for annual periods beginning on or after June 1, 2006
[6] Effective for annual periods beginning on or after November 1, 2006
[7] Effective for annual periods beginning on or after March 1, 2007
[8] Effective for annual periods beginning on or after January 1, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of profit and loss and changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intellectual property rights

On initial recognition, intellectual property rights acquired separately are recognised at cost. After initial recognition, intellectual property rights with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intellectual property rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intellectual property rights with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policy in respect of impairment losses below).

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discount and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Service income

Service income represents the income from providing management services to jointly controlled entities.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, 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:

Buildings	Over the terms of the leases or 5%
Leasehold improvements	10%
Plant and machinery	10% – 20%
Furniture and equipment	20%
Motor vehicles	20%
Moulds and tools	20%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Freehold land and construction in progress are carried at cost less any identified impairment losses. Depreciation of construction in progress commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year 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 profit as reported in the consolidated 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 recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, 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 benefits costs

Payments to defined contribution retirement benefits plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Research and development expenditure

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

An internally-generally intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs 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, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit and loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated at fair value through profit or loss on initial recognition (including structured deposits).

A financial asset may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a jointly controlled entity and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent years when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a jointly controlled entity and borrowings are subsequently measured at amortised cost, using the effective interest rate method after initial recognition.

Convertible loan notes contain liability, conversion option derivative and early redemption option derivative components

Convertible loan notes issued by the Company that contain liability, conversion option derivative and early redemption option derivative components are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability, conversion option derivative and early redemption option derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative and the early redemption option derivative are measured at fair value with change in fair values recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability conversion option derivative and early redemption option derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative and early redemption option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily foreign currency forward contract) to hedge its exposure against foreign currency. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Income taxes

No deferred tax asset has been recognised in respect of tax losses of approximately HK$156,000,000 due to the unpredictability of future profit streams. In cases where the actual future profits generated are more than expected, a material deferred tax asset may be recognised.

Valuation of the embedded derivatives in convertible loan notes

The fair values for the embedded derivatives in convertible loan notes are established by using valuation techniques. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of the area that developed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, volatility of share price and dividend yield of the Company, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the embedded derivatives in convertible loan notes.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and deposits, trade and other payables, amount due from (and to) jointly controlled entities, convertible loan notes and borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases in United States Dollars ("USD"), Euro ("EUR"), Swiss Franc ("CHF") and Renminbi ("RMB"), which expose the Group to foreign currency risk. Certain trade receivables and trade payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL INSTRUMENTS *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group's fair value interest rate risk and cash flow interest rate risk relates to the Group's zero coupon convertible loan notes and borrowings with fixed interest rates and floating interest rates. The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings and convertible loan notes. The interest rates and terms of repayment of convertible loan notes and borrowings of the Group are disclosed in notes 26 and 27, respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at December 31, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances and deposits are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high crediting ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group is exposed to security price risk in respect of the conversion option and early redemption option embedded in the convertible loan notes which allows the notes holders to convert to the Company's ordinary shares.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transaction and

- the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing models (for example, the binomial model).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Revenue is measured at fair value of the consideration received and receivable and represents amounts receivable for goods sold to outside customers, less returns and allowances.

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

The unallocated corporate assets include mainly bank balances, deposits and cash and the unallocated corporate liabilities include mainly borrowings and convertible loan notes.

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

2006

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,312,912	809,195	257,929	–	2,380,036
Inter-segment sales	58,116	383,171	31,792	(473,079)	–
Total	1,371,028	1,192,366	289,721	(473,079)	2,380,036
RESULTS					
Segment results	95,663	145,275	35,222	–	276,160
Interest income					18,489
Gain on fair value change of the derivative components of convertible loan notes					11,001
Loss on fair value change of financial instruments					(2,527)
Finance costs					(49,817)
Share of results of an associate					8,893
Share of results of jointly controlled entities	46,740				46,740
Profit before tax					308,939
Income tax expense					(48,906)
Profit for the year					260,033

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

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006 *(Continued)*

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	879,556	372,363	265,277	1,517,196
Interests in an associate				42,431
Interests in jointly controlled entities	81,312			81,312
Unallocated corporate assets				714,597
Consolidated total assets				2,355,536
LIABILITIES				
Segment liabilities	261,252	22,973	60,204	344,429
Unallocated corporate liabilities				994,731
Consolidated total liabilities				1,339,160

OTHER INFORMATION

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Consolidated HK$'000
Capital additions	39,518	1,901	12,233	53,652
Depreciation and amortisation	30,666	879	2,980	34,525
(Gain) loss on disposal of property, plant and equipment	(36)	–	1,080	1,044
(Reversal of) allowance for inventories	(452)	–	2,106	1,654
Allowance for (reversal of) doubtful debts	523	(74)	(1,319)	(870)
Increase in warranty provision	13,200	–	–	13,200

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Business segments *(Continued)*

2005

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,162,714	646,466	203,072	–	2,012,252
Inter-segment sales	64,297	265,978	22,827	(353,102)	–
Total	1,227,011	912,444	225,899	(353,102)	2,012,252
RESULTS					
Segment results	129,295	64,192	27,578	–	221,065
Interest income					2,576
Finance costs					(17,242)
Share of results of an associate					2,054
Share of results of a jointly controlled entity	32,253				32,253
Profit before tax					240,706
Income tax expense					(22,510)
Profit for the year					218,196

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

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2005 *(Continued)*

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	632,450	150,894	120,229	903,573
Interests in an associate				33,142
Interests in a jointly controlled entity	60,751			60,751
Unallocated corporate assets				324,697
Consolidated total assets				1,322,163
LIABILITIES				
Segment liabilities	176,884	23,792	32,788	233,464
Unallocated corporate liabilities				214,142
Consolidated total liabilities				447,606

OTHER INFORMATION

	Manufacture and sale of dyeing and finishing machines HK$'000	Trading of stainless steel supplies HK$'000	Manufacture and sale of stainless steel casting products HK$'000	Consolidated HK$'000
Capital additions	20,536	156	3,108	23,800
Increase in prepaid lease payments	394	–	–	394
Depreciation and amortisation	27,525	961	3,775	32,261
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(10,836)	2	26	(10,808)
Allowance for inventories	–	–	985	985
(Reversal of) allowance for doubtful debts	(173)	(484)	2,816	2,159
Increase in warranty provision	12,239	–	–	12,239

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Geographical segments

The Group's operations are located mainly in Hong Kong, the People's Republic of China (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	
	2006	2005
	HK$'000	HK$'000
The PRC	**875,647**	780,340
Hong Kong	**590,674**	581,100
Asia Pacific (other than the PRC and Hong Kong)	**484,353**	273,608
Europe	**222,063**	207,148
North and South America	**154,350**	149,616
Others	**52,949**	20,440
	2,380,036	2,012,252

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**651,456**	433,103	**42,445**	15,803
Hong Kong	**619,096**	335,159	**6,646**	4,302
Europe	**241,257**	135,311	**4,340**	3,695
Asia Pacific (other than the PRC and Hong Kong)	**5,387**	–	**221**	–
	1,517,196	903,573	**53,652**	23,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended December 31, 2006)

7. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**12,178**	11,930
Obligations under finance leases	**–**	29
Effective interest expense on convertible loan notes	**29,089**	–
Bank charges	**6,640**	4,051
Issue cost of convertible loan notes in respect of the embedded derivative components	**1,217**	–
Factoring charges	**693**	1,232
	49,817	17,242

8. PROFIT BEFORE TAX

	2006 HK$'000	2005 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Amortisation of intellectual property rights	**2,892**	2,892
Amortisation of prepaid lease payments	**341**	370
Depreciation of property, plant and equipment	**31,292**	28,999
Total depreciation and amortisation	**34,525**	32,261
Allowance for inventories	**1,654**	985
(Reversal of) allowance for doubtful debts	**(870)**	2,159
Auditor's remuneration	**2,437**	1,417
Cost of inventories recognised as an expense	**1,695,783**	1,449,305
Loss (gain) on disposal of property, plant and equipment	**1,044**	(67)
Gain on disposal of prepaid lease payments	**–**	(10,741)
Loss on disposal of a subsidiary	**–**	1,658
Net foreign exchange (gain) loss	**(23,214)**	820
Research and development costs	**687**	1,330
Staff costs, including directors' emoluments		
Salaries, wages and other benefits	**180,094**	159,470
Retirement benefits scheme contributions	**16,840**	14,303
	196,934	173,773
Share of tax of an associate (included in share of results of an associate)	**3,428**	339
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**2,801**	4,944

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2005: fourteen) Directors were as follows:

	Executive directors								Independent non-executive directors				
	Wan Wai Yung HK$'000	Fong Sou Lam HK$'000	Fong Kwok Chung, Bill HK$'000	Fong Kwok Leung, Kevin HK$'000	Tsui Wai Keung HK$'000	Tsui Tak Ming, William HK$'000	Poon Hang Sim, Blanche HK$'000	Peter Rainer Philipp HK$'000	Yuen Ming Fai HK$'000	Cheung Chiu Fan HK$'000	Lui Chi Lung, Louis HK$'000	Keung Wing Ching HK$'000	Total HK$'000
2006													
Fees	–	–	–	–	–	–	–	–	64	64	42	44	214
Other emoluments:													
Salaries and other benefits	4,008	3,250	2,103	1,780	1,300	1,300	1,068	562	–	–	–	–	15,371
Performance related incentive payments	–	–	700	400	700	400	315	–	–	–	–	–	2,515
Retirement benefits scheme contributions	243	240	141	96	96	83	76	–	–	–	–	–	975
Total emoluments	4,251	3,490	2,944	2,276	2,096	1,783	1,459	562	64	64	42	44	19,075

	Executive directors											Independent non-executive directors			
	Wan Wai Yung HK$'000	Lee Che Chiu HK$'000	Fong Sou Lam HK$'000	Fong Kwok Chung, Bill HK$'000	Fong Kwok Leung, Kevin HK$'000	Tsui Tak Ming, William HK$'000	Poon Hang Sim, Blanche HK$'000	Tsui Wai Keung HK$'000	Peter Rainer Philipp HK$'000	Mo Yiu Leung, Jerry HK$'000	Cheuk Hon Kin, Kelvin HK$'000	Yuen Ming Fai HK$'000	Cheung Chiu Fan HK$'000	Lui Chi Lung, Louis HK$'000	Total HK$'000
2005															
Fees	–	–	–	–	–	–	–	–	–	–	–	50	50	50	150
Other emoluments:															
Salaries and other benefits	3,340	2,614	3,250	2,103	1,775	1,299	1,010	1,298	1,346	1,659	1,198	–	–	–	20,892
Performance related incentive payments	668	871	–	248	380	393	260	737	–	560	394	–	–	–	4,511
Retirement benefits scheme contributions	195	12	240	136	96	79	64	96	–	10	88	–	–	–	1,016
Total emoluments	4,203	3,497	3,490	2,487	2,251	1,771	1,334	2,131	1,346	2,229	1,680	50	50	50	26,569

Note: The performance related incentive payments are determined as a percentage of the profit of the Group for the years ended December 31, 2006 and 2005.

No Director waived any emoluments in the years ended December 31, 2006 and 2005.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals in the Group in 2006 and 2005 were all Directors of the Company and details of their emoluments are included above.

10. INCOME TAX EXPENSE

	2006	2005
	HK$'000	HK$'000
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profits:		
Current year	**41,875**	21,621
Under(over)provision in prior years	**211**	(404)
Overseas income tax:		
Current year	**7,627**	10,283
Under(over)provision in prior years	**375**	(8,537)
	50,088	22,963
Deferred tax *(note 28)*	**(1,182)**	(453)
	48,906	22,510

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 concessions and part of the income tax was exempted from PRC income tax.

In 2005, a subsidiary obtained approval from the PRC tax authority for granting a concessionary tax rate on taxable profits in 2002 and 2003. An overprovision of overseas income tax in prior years of approximately HK$8,500,000 was thus reversed in last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended December 31, 2006)

10. INCOME TAX EXPENSE *(Continued)*

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

	2006 HK$'000	2005 HK$'000
Profit before tax	**308,939**	240,706
Tax at the Hong Kong Profits Tax rate of 17.5%	**54,064**	42,123
Tax effect of:		
– expenses that are not deductible for tax purpose	**7,779**	935
– income that are not taxable for tax purpose	**(14,151)**	(5,741)
– tax losses not recognised	**16,300**	6,399
– share of results of an associate	**(1,556)**	(359)
– share of results of jointly controlled entities	**(8,180)**	(5,644)
Income tax on concessionary rate	**(1,917)**	(2,492)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,910)**	(3,711)
Under(over)provision in prior years	**586**	(8,941)
Others	**(109)**	(59)
Income tax expense for the year	**48,906**	22,510

11. DIVIDENDS/SPECIAL DIVIDEND

	2006 HK$'000	2005 HK$'000
Dividends recognised as distribution during the year:		
Interim dividend of 8 HK cents (2005: 8 HK cents) per share	**44,688**	44,830
Final dividend of 5 HK cents (2005: 7 HK cents) per share	**28,019**	39,227
	72,707	84,057
Interim special dividend of 3 HK cents (2005: 3 HK cents) per share	**16,758**	16,811
Final special dividend of 7 HK cents (2005: 7 HK cents) per share	**39,226**	39,226
	55,984	56,037

11. DIVIDENDS/SPECIAL DIVIDEND *(Continued)*

The final dividend and final special dividend of 8 HK cents and 7 HK cents, respectively, per share have been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

	2006	2005
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to equity holders of the parent	**260,033**	218,653
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**29,089**	–
Gain on fair value change on convertible loan notes	**(11,001)**	–
Earnings for the purposes of diluted earnings per share	**278,121**	218,653

	2006	2005
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**559,525**	560,378
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**61,799**	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**621,324**	

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Moulds and tools HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At January 1, 2005	9,563	200,244	5,040	133,931	52,926	17,107	6,052	19,299	444,162
Currency realignment	–	3,651	56	2,079	(381)	11	75	371	5,862
Additions	–	809	1,761	10,924	6,671	1,842	381	1,412	23,800
Disposals	–	(413)	–	(206)	(537)	(1,580)	–	–	(2,736)
At December 31, 2005 and January 1, 2006	9,563	204,291	6,857	146,728	58,679	17,380	6,508	21,082	471,088
Currency realignment	–	9,271	119	6,425	1,685	227	190	844	18,761
Transfer	–	24,588	–	574	–	–	–	(25,162)	–
Additions	–	–	1,807	26,888	10,321	3,451	151	11,034	53,652
Disposals	–	–	–	(9,819)	(6,440)	(880)	–	–	(17,139)
At December 31, 2006	**9,563**	**238,150**	**8,783**	**170,796**	**64,245**	**20,178**	**6,849**	**7,798**	**526,362**
DEPRECIATION AND AMORTISATION									
At January 1, 2005	–	72,922	2,003	58,061	36,621	11,437	4,546	–	185,590
Currency realignment	–	1,398	12	1,041	87	37	76	–	2,651
Provided for the year	–	9,155	734	11,279	5,295	2,278	258	–	28,999
Eliminated on disposals	–	(91)	–	(179)	(469)	(1,302)	–	–	(2,041)
At December 31, 2005 and January 1, 2006	–	83,384	2,749	70,202	41,534	12,450	4,880	–	215,199
Currency realignment	–	3,347	49	2,987	969	154	171	–	7,677
Provided for the year	–	10,165	962	11,258	6,742	1,911	254	–	31,292
Eliminated on disposals	–	–	–	(8,818)	(6,303)	(687)	–	–	(15,808)
At December 31, 2006	**–**	**96,896**	**3,760**	**75,629**	**42,942**	**13,828**	**5,305**	**–**	**238,360**
NET BOOK VALUES									
At December 31, 2006	**9,563**	**141,254**	**5,023**	**95,167**	**21,303**	**6,350**	**1,544**	**7,798**	**288,002**
At December 31, 2005	9,563	120,907	4,108	76,526	17,145	4,930	1,628	21,082	255,889

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the Group's freehold land and buildings is as follows:

	2006 **HK$'000**	2005 HK$'000
Buildings on long leases located in the PRC	**90**	91
Buildings on medium-term leases located in the PRC	**128,685**	109,295
Buildings on medium-term leases located in Hong Kong	**67**	69
Freehold land and buildings in Europe	**21,975**	21,015
	150,817	130,470

At December 31, 2005, the Group pledged the buildings on medium-term leases located in Hong Kong to secure banking facilities granted to the Group. The pledge was released in 2006.

14. PREPAID LEASE PAYMENTS

	2006 **HK$'000**	2005 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term leases	**410**	422
Leasehold land in the PRC:		
Long leases	**381**	388
Medium-term leases	**11,189**	11,187
	11,980	11,997
Analysed for reporting purposes as:		
Current asset	**341**	332
Non-current asset	**11,639**	11,665
	11,980	11,997

At December 31, 2005, the Group pledged the prepaid lease payments relating to the medium-term leasehold land in Hong Kong to secure banking facilities granted to the Group. The pledge was released in 2006.

15. INTELLECTUAL PROPERTY RIGHTS

	HK$'000
COST	
At January 1, 2005, December 31, 2005, January 1, 2006 and December 31, 2006	28,923
AMORTISATION	
At January 1, 2005	1,205
Provided for the year	2,892
At December 31, 2005 and January 1, 2006	4,097
Provided for the year	2,892
At December 31, 2006	**6,989**
CARRYING AMOUNT	
At December 31, 2006	**21,934**
At December 31, 2005	24,826

Intellectual property rights represent technical know-how skills for manufacturing of machines and are amortised on a straight-line basis over ten years.

16. INTERESTS IN AN ASSOCIATE

	2006 HK$'000	2005 HK$'000
Cost of unlisted investment in an associate	**46,469**	46,469
Share of post-acquisition results, net of dividends received	**(4,038)**	(13,327)
Share of net assets	**42,431**	33,142

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 sino-foreign equity enterprise registered and operated in the PRC. It acts as a holding company and its subsidiaries are engaged in the manufacture of colour woven fabrics.

16. INTERESTS IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate is set out below:

	2006 HK$'000	2005 HK$'000
Revenue	**226,474**	192,144
Profit for the year	**29,643**	6,846
Profit attributable to the Group	**8,893**	2,054
Financial position:		
Total non-current assets	**108,491**	116,088
Total current assets	**228,555**	206,657
Total non-current liabilities	**(65,952)**	(89,828)
Total current liabilities	**(122,659)**	(116,025)
Minority interests	**(6,999)**	(6,419)
	141,436	110,473
Shareholders' funds attributable to the Group	**42,431**	33,142

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 HK$'000	2005 HK$'000
Cost of unlisted investment in jointly controlled entities	**10,779**	9,200
Share of post-acquisition profits, net of dividends received	**70,533**	51,551
Share of net assets	**81,312**	60,751

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

As at December 31, 2006, the Group had interests in the following significantly jointly controlled entities:

Name of entity	Place of incorporation or registration/ operations	Nominal value of issued capital/ registered capital	Proportion of share capital/ registered capital/ attributable to the Group	Principal activities
Monforts Fong's Textile Machinery Co., Ltd.	Hong Kong/ The PRC	HK$9,200,000	50%	Manufacture and trading of textile machinery
Monforts Fong's Textile Machinery (Macao Commercial Offshore) Co., Ltd.	Macau	MOP50,000	50%	Trading of textile machinery
Plexxor Co., Ltd.	Hong Kong	HK$3,000,000	51%	Trading of textile machinery

The Group holds 51% of the share capital of Plexxor Co., Limited and controls 51% of the voting power at general meetings. However under a shareholders' agreement. Plexxor Co., Limited is jointly controlled by the Group and the other significant shareholder. Therefore, Plexxor Co., Limited is classified as a jointly controlled entity of the Group.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 HK$'000	2005 HK$'000
Income	**314,350**	217,178
Expense	**267,610**	184,925
Profit attributable to the Group	**46,740**	32,253
Financial position:		
Total non-current assets	**26,783**	21,236
Total current assets	**114,081**	87,745
Total non-current liabilities	**(32)**	(36)
Total current liabilities	**(59,520)**	(48,194)
	81,312	60,751

18. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials	**519,055**	207,951
Work in progress	**158,562**	85,921
Finished goods	**100,755**	74,101
	778,372	367,973

19. TRADE AND OTHER RECEIVABLES

	2006 HK$'000	2005 HK$'000
Trade receivables	**267,742**	159,064
Less: Allowance for doubtful debts	**(17,339)**	(19,058)
	250,403	140,006
Bills receivables	**100,050**	59,692
	350,453	199,698
Other receivables	**54,022**	26,987
Total trade and other receivables	**404,475**	226,685

The Group allows an average credit period of 60 days (2005: 60 days) to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts and bills receivables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0-30 days	**324,846**	191,535
31-60 days	**14,990**	4,975
Over 60 days	**10,617**	3,188
	350,453	199,698

At December 31, 2005, the Group pledged trade receivables at a carrying value of HK$10,206,000 to secure credit facilities granted to the Group. The pledge was released in 2006.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group's trade receivables denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD'000	*EUR'000*	*CHF'000*	*RMB'000*
As at December 31, 2006	19,876	4,252	1,124	21,623
As at December 31, 2005	13,093	1,523	1,112	9,575

20. AMOUNT DUE FROM (AND TO) JOINTLY CONTROLLED ENTITIES

The amount, which is aged within 60 days, is unsecured, interest-free and repayable on demand.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2006		2005	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign currency forward contract	**27**	**–**	–	–
Foreign currency forward contract	**–**	**244**	–	–
	27	**244**	–	–

At December 31, 2006, the Group had the following foreign currency forward contracts dominated in USD and EUR, the major terms of these contracts are as follows:

Notional amount	**Maturity**	**Exchange rate**
Buy USD500,000 (if market rate at the date of settlement is above USD1 to HK$7.738) or buy USD1,000,000 (if market rate at the date of settlement is equal to or below USD1 to HK$7.738)	February 9, 2007	USD1 to HK$7.738
Sell EUR1,000,000 (if market rate at the date of settlement is greater than USD1 to EUR1.157 and equal to or less than USD1 to EUR1.247) or sell EUR2,000,000 (if market rate is greater than USD1 to EUR1.247)	March 15, 2007	USD1 to EUR1.247

The fair values of other financial assets/liabilities have been determined based on the quoted market price provided by the bank for equivalent instruments at the balance sheet date. All fair value adjustments are recognised in the consolidated income statement.

22. STRUCTURED DEPOSITS

Structured deposits are stated at fair value and represent deposits placed in a bank, which bear interest rates ranging from 7% to 8.5% per annum when the London Interbank Offered Rate ("LIBOR") fixing with a designated maturity of 12 months minus LIBOR fixing with a designated maturity of 3 months (the "Rate") is greater than or equals to 0.15% or 0.18%. No interest will be received if the Rate is lower than 0.15% or 0.18%. The structured deposits will mature in 2007. The Group designated the structured deposits as at fair value through profit or loss. The fair value of the structured deposits has been determined based on the present value of estimated future cash flows discounted at the effective interest rate of 3.5% per annum provided by the bank at the balance sheet date.

23. BANK BALANCES, DEPOSITS AND CASH

The amount includes short-term fixed deposits which carry fixed interest rate ranging from 2% to 4.85% per annum (2005: 0.25% to 3.9% per annum).

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
0-30 days	**64,174**	53,925
31-60 days	**10,893**	5,107
Over 60 days	**3,028**	2,969
	78,095	62,001

The Group's trade payables denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD'000	EUR'000	CHF'000	RMB'000
As at December 31, 2006	1,023	1,294	982	20,611
As at December 31, 2005	1,417	1,266	706	12,649

25. WARRANTY PROVISION

	2006 HK$'000	2005 HK$'000
At January 1	**12,299**	11,065
Additional provision in the year	**13,200**	12,239
Utilisation of provision	**(12,235)**	(11,005)
At December 31	**13,264**	12,299

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

26. CONVERTIBLE LOAN NOTES

The Company issued zero coupon convertible loan notes (the "Notes") in the aggregate principal amount of HK$800,000,000 at a par value of HK$10,000 each on May 10, 2006. Details of the Notes are set out in the Company's circular dated April 16, 2006. The features of the Notes are as follows:

(i) Conversion option:

– The Notes are denominated in Hong Kong dollars. The Notes entitle the holders to convert them into ordinary shares of the Company (the "Share") at any time from and including May 25, 2006 to April 25, 2011 at a conversion price of HK$8.37 per Share. If the arithmetic average of the closing price of the Share for each day during the 15 consecutive the Stock Exchange trading days ending 60 days before each anniversary of the closing date of the Notes is less than the conversion price then in effect, the conversion price may be adjusted downwards at the discretion and option of the Company, such that the adjusted conversion price in no event shall be less than 80% of the initial conversion price. If the Notes have not been converted, they will be redeemed at 124.01% of the principal amount on May 10, 2011 (the "maturity date").

(ii) Holder early redemption option:

– All or some of the Notes may be redeemed at the option of the holders at 111.36% of the principal amount on November 10, 2008.

26. CONVERTIBLE LOAN NOTES *(Continued)*

(iii) Issuer early redemption option:

– On or at any time after November 10, 2008, the Company may redeem all, but not some only, of the Notes at any time prior to the maturity date, at an amount (the "Early Redemption Amount") if (i) the closing price of the Share for each of the 30 consecutive trading days, the last which falls within five trading days prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount in effect on such trading day divided by the conversion ratio or (ii) at least 90% in principal amount of the Notes has already been converted, redeemed or purchased and cancelled.

– The Early Redemption Amount of the Notes, for each HK$10,000 principal amount of the Notes, is determined so that it represents for the holder a gross yield of 4.35% per annum, calculated on a semi-annual basis.

The convertible loan notes contain liability component, conversion option derivative and two early redemption option derivatives. The conversion option derivative is not closely related to the liability component and is classified as a derivative as the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of the liability component. The issuer early redemption option derivative is not closely related to the host contract as the early redemption amount is not close to the amortised cost of the liability on the redemption date. Both the conversion option derivative and issuer early redemption option derivative are measured at fair value with change in fair value recognised in profit or loss. The holder early redemption option derivative is not separately recognised from the liability component as the early redemption amount approximates the amortised cost of the liability on the redemption date and it is considered as closely related to the economic characteristics and risks of the host contract.

The fair value of the convertible loan notes with embedded derivatives were determined by the Directors with reference to a valuation report carried out by Vigers Appraisal & Consulting Limited, independent and recognised international business valuers, on May 10, 2006 at HK$774,757,000. At December 31, 2006, the liability component of the convertible loan notes is HK$767,047,000 which is stated at amortised cost using the effective interest method and the fair value of the derivative component of the convertible loan notes is HK$25,798,000. The effective interest expense of convertible loan notes and change in fair value of the embedded derivatives amounting to HK$29,089,000 and HK$11,001,000, respectively, have been recognised in the consolidated income statement for the year ended December 31, 2006.

26. CONVERTIBLE LOAN NOTES *(Continued)*

The methods and assumptions applied for the valuation of the convertible loan notes are as follows:

(1) Valuation of liability component

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was calculated based on the present value of the initial recognition contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component is 6.1%.

(2) Valuation of conversion option derivative

Bionomial model is used for valuation of conversion option derivative. The inputs into the model were as follows:

	May 10, 2006	December 31, 2006
Stock price	**HK$6.2**	HK$5.25
Exercise price	**HK$8.37**	HK$8.02
Volatility	**35%**	35%
Dividend yield	**4%**	4%
Option life	**5 years**	4.36 years
Risk free rate	**4.54%**	3.69%

(3) Valuation of issuer early redemption option derivative

Bionomial model is used for valuation of issuer early redemption option derivative. The inputs into the model were as follows:

	May 10, 2006	December 31, 2006
Stock price	**HK$6.2**	HK$5.25
Exercise price	**HK$10.881**	HK$10.426
Volatility	**35%**	35%
Dividend yield	**4%**	4%
Option life	**5 years**	4.36 years
Risk free rate	**4.54%**	3.69%

26. CONVERTIBLE LOAN NOTES *(Continued)*

The movement of the liability component, and the derivative component (including conversion option derivative and issuer redemption option derivative) of the convertible loan notes for the year ended December 31, 2006 is set out as follows:

	Liability component HK$'000	**Derivative component** HK$'000
Carrying amount at May 10, 2006	737,958	36,799
Changes in fair value	–	(11,001)
Effective interest expenses	29,089	–
Carrying amount at December 31, 2006	767,047	25,798

The fair value of derivative component comprises of conversion option derivative of HK$65,347,000 and issuer early redemption option derivative of HK$39,549,000 as at December 31, 2006, which are presented on a net basis as their terms are inter-related.

27. BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Borrowings comprise the following:		
Bank loans	**172,058**	200,000
Other borrowings	**5,055**	7,015
	177,113	207,015
Secured	**–**	157,015
Unsecured	**177,113**	50,000
	177,113	207,015

27. BORROWINGS *(Continued)*

The above amounts are repayable as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**54,613**	87,015
In the second year	**40,000**	30,000
In the third to fifth years inclusive	**82,500**	90,000
	177,113	207,015
Less: Amount due within one year shown under current liabilities	**(54,613)**	(87,015)
Amount due after one year	**122,500**	120,000

In 2005, the Group had two bank borrowings amounting to HK$50,000,000 in aggregate which were repayable within one year and carried fixed interest rates ranging from 3.825% to 3.900% per annum and two borrowings amounting to approximately HK$157,015,000 in aggregate which carried floating interest rates at Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum and LIBOR plus 2.725% to 2.325% per annum.

In 2006, the Group has a bank borrowing amounting to approximately HK$9,558,000 which is repayable within one year and carries fixed interest rate of 6.75% per annum and the remaining bank borrowings amounting to approximately HK$167,555,000 which carry floating interest rate of HIBOR plus 0.75% per annum and LIBOR plus 1% per annum, respectively.

The Group's borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD$'000	EUR'000	HK$'000
As at December 31, 2006	648	930	–
As at December 31, 2005	–	–	50,000

28. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Allowance for doubtful debts HK$'000	Unrealised profit for inventories HK$'000	Others HK$'000	Total HK$'000
At January 1, 2005	908	(2,708)	(550)	(350)	(2,700)
Charge (credit) to the consolidated income statement for the year	97	(378)	(522)	350	(453)
At December 31, 2005 and January 1, 2006	1,005	(3,086)	(1,072)	–	(3,153)
Charge (credit) to the consolidated income statement for the year	102	152	(1,436)	–	(1,182)
At December 31, 2006	**1,107**	**(2,934)**	**(2,508)**	**–**	**(4,335)**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax (assets) liabilities for financial reporting purposes:

	2006 HK$'000	2005 HK$'000
Deferred tax assets	**(5,525)**	(4,268)
Deferred tax liabilities	**1,190**	1,115
	(4,335)	(3,153)

At the balance sheet date, the Group had unused tax losses of approximately HK$156,000,000 (2005: HK$63,000,000) 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 approximately HK$9,600,000 (2005: HK$9,600,000), HK$2,900,000 (2005: HK$2,900,000), HK$5,400,000 (2005: HK$5,400,000) and HK$6,700,000 (2005: Nil) that will expire in 2010, 2011, 2012 and 2013 respectively. Other losses may be carried forward indefinitely.

29. SHARE CAPITAL OF THE COMPANY

	2006 HK$'000	2005 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
At January 1, 2005 and January 1, 2006: 560,378,285 ordinary shares of HK$0.10 each	**56,038**	56,038
Repurchase of shares	**(196)**	–
At December 31, 2006: 558,416,285 (December 31, 2005: 560,378,285) ordinary shares of HK$0.10 each	**55,842**	56,038

During the year ended December 31, 2006, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
June	362,000	4.85	4.85	1,756
July	1,384,000	4.875	4.725	6,696
August	30,000	4.87	4.87	146
November	186,000	5.06	5.04	941
	1,962,000			9,539

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 approximately HK$9,343,000 was charged against share premium. An amount of approximately HK$196,000 equivalents to the nominal value of the cancelled shares was transferred from retained profits to capital redemption reserve.

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(For the year ended December 31, 2006)

30. RESERVES AND MINORITY INTERESTS

	Attributable to equity holders of the parent							
	Share premium HK$'000	Dividend reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Contributed surplus HK$'000	Total reserves HK$'000	Minority interests HK$'000
At January 1, 2005	198,725	78,453	1,477	(11,744)	442,368	25,582	734,861	1,747
Exchange difference arising on translation of overseas subsidiaries recognised directly in equity	–	–	–	35	–	–	35	–
Share of changes in equity of an associate and a jointly controlled entity	–	–	–	1,911	–	–	1,911	–
Net income recognised directly in equity	–	–	–	1,946	–	–	1,946	–
Realised on disposal of a subsidiary	–	–	–	1,863	–	–	1,863	–
Profit (loss) for the year	–	–	–	–	218,653	–	218,653	(457)
Total recognised income and expense for the year	–	–	–	3,809	218,653	–	222,462	(457)
Final dividend for 2004 paid	–	(39,227)	–	–	–	–	(39,227)	–
Final special dividend for 2004 paid	–	(39,226)	–	–	–	–	(39,226)	–
Interim dividend for 2005 paid	–	–	–	–	(44,830)	–	(44,830)	–
Interim special dividend for 2005 paid	–	–	–	–	(16,811)	–	(16,811)	–
Proposed final dividend for 2005	–	28,019	–	–	(28,019)	–	–	–
Proposed final special dividend for 2005	–	39,226	–	–	(39,226)	–	–	–
At December 31, 2005 and January 1, 2006	198,725	67,245	1,477	(7,935)	532,135	25,582	817,229	1,290
Exchange difference arising on translation of overseas subsidiaries recognised directly in equity	–	–	–	16,294	–	–	16,294	–
Share of changes in equity of an associate and jointly controlled entities	–	–	–	3,722	–	–	3,722	–
Net income recognised directly in equity	–	–	–	20,016	–	–	20,016	–
Profit for the year	–	–	–	–	260,033	–	260,033	–
Total recognised income and expense for the year	–	–	–	20,016	260,033	–	280,049	–
Repurchases of shares	(9,343)	–	196	–	(196)	–	(9,343)	–
Final dividend for 2005 paid	–	(28,019)	–	–	–	–	(28,019)	–
Final special dividend for 2005 paid	–	(39,226)	–	–	–	–	(39,226)	–
Interim dividend for 2006 paid	–	–	–	–	(44,688)	–	(44,688)	–
Interim special dividend for 2006 paid	–	–	–	–	(16,758)	–	(16,758)	–
Proposed final dividend for 2006	–	44,665	–	–	(44,665)	–	–	–
Proposed final special dividend for 2006	–	39,082	–	–	(39,082)	–	–	–
At December 31, 2006	189,382	83,747	1,673	12,081	646,779	25,582	959,244	1,290

30. RESERVES AND MINORITY INTERESTS *(Continued)*

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.

31. SHARE OPTION SCHEME

A share option scheme (the "Scheme") of the Company was approved and 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 options to the eligible participant 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 options granted under the 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 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 as cash consideration for the grant of the share options in accordance with the Scheme. The total number of shares in respect of which share options may be granted shall not exceed 10% of the issued ordinary share capital. The 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.

An option is deemed to have been granted and accepted by the grantee upon his or her signing a duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof on or before the relevant acceptance date being a date within 28 days after the date on which the option is offered.

31. SHARE OPTION SCHEME *(Continued)*

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board of Directors. An option period is a period to be determined by the Board of Directors at its absolute discretion and notified by Board of Directors to each grantee as being the period during which an option may be exercised, such period shall commence from the date of acceptance of the offer for the grant of the option and shall end not later than 10 years from the date on which the offer for grant of the option is made.

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

No share option has been granted by the Company under the Scheme since its adoption.

32. DISPOSAL OF A SUBSIDIARY

On December 20, 2005, the Group disposed of a subsidiary, Front Standard Limited. The net assets of Front Standard Limited at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Interest in an associate	1,613
Exchange losses realised	1,863
	3,476
Loss on disposal	1,658
Total consideration	1,818
Satisfied by:	
Cash, which represents the cash inflow from disposal of a subsidiary	1,818

The impact of Front Standard Limited on the Group's results and cash flows in the prior years is insignificant.

33. CAPITAL COMMITMENTS

	2006 **HK$'000**	2005 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**35,301**	3,226

34. OPERATING LEASE ARRANGEMENTS

As lessee

Minimum lease payments paid under operating leases for rented premises during the year amounted to approximately HK$6,442,000 (2005: HK$6,620,000).

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**6,048**	6,380
In the second to fifth year inclusive	**462**	5,872
	6,510	12,252

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 three years.

35. RETIREMENT BENEFITS SCHEME

Schemes in Hong Kong

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 start with 5% and 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 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.

In 2000, the principal deed and the rules of the Scheme were amended 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 Mandatory Provident Fund Scheme ("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.

35. RETIREMENT BENEFITS SCHEME *(Continued)*

Schemes in Hong Kong *(Continued)*

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

	2006	2005
	HK$'000	HK$'000
Gross employers' contributions	**4,486**	4,166
Less: Forfeited contributions utilised to offset employers' contributions for the year	**(71)**	(63)
Net employers' contributions charged to the consolidated income statement	**4,415**	4,103

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

Scheme in the PRC

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to the consolidated income statement for the scheme in the PRC amounted to approximately HK$3,692,000 (2005: HK$3,721,000).

Scheme in Germany

In Germany, the Group is obliged to contribute to a social pension programme for employees on a monthly basis at around 9.75% of the employee's gross income. The only obligation of the Group with respect to this social pension programme is to make the specified contribution.

The total cost charged to the consolidated income statement for the social pension programme in Germany amounted to approximately HK$7,488,000 (2005: HK$5,394,000).

35. RETIREMENT BENEFITS SCHEME *(Continued)*

Schemes in Switzerland

In Switzerland, the Group is obligated to contribute to a basic pension plan on a monthly basis at 5.05% of the employee's gross income plus administrative charges.

Besides, the Group also has to participate in a mandatory occupational benefit plan ("the Plan") for all the employees as regulated under the federal law. The Group is obligated to make contributions to the Plan, calculated at 4% to 11.25% of the employees' basic annual salary above CHF 22,257, depending on employees' age plus an individual risk surcharge of about 2%.

The total cost charged to the consolidated income statement for the schemes in Switzerland amounted to approximately HK$1,245,000 (2005: HK$1,085,000).

36. POST BALANCE SHEET EVENT

On April 1, 2007, Tycon Alloy Industries (Hong Kong) Company Limited ("Tycon"), an indirect wholly-owned subsidiary of the Company, entered into a three-year non-exclusive agency agreement (the "Agency Agreement") with PSP International Inc in relation to agency and marketing activities for the sales of its stainless steel casting products in the territories of the USA, Canada and Mexico with effect from April 1, 2007.

Under the Agency Agreement, PSP International Inc. is entitled to a monthly retainer fee and sales commission at the market rate of a prescribed percentage of the net sales proceeds of the sales contracts solicited or procured by it as specified therein. It is anticipated that the aggregate annual amount of the sales commission and other payables during the term of the Agency Agreement will not exceed HK$10 million.

PSP International Inc. is beneficially owned as to 30% by Mr. Peter Rainer Philipp (Mr. Peter Philipp). Mr. Peter Philipp is currently a director of certain operating subsidiaries of the Group, but not a director of Tycon. The transaction constituted a continuing connected transaction of the Company and is exempt from the independent shareholders' approval requirements but subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Details of the transaction were set out in the press announcement of the Company dated April 2, 2007.

37. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated balance sheet on page 38 and note 20 to the consolidated financial statements, the Group has also entered into the following transactions with related parties during the year:

	2006 HK$'000	2005 HK$'000
Related parties in which Directors have beneficial interests		
Sale of goods	**299**	695
Service fee paid	**320**	–
Purchase of materials	**562**	283
Commission and agency fee paid	**7,546**	4,771
Management fee received	**–**	306
Management fee paid	**312**	–
Rental paid	**5,928**	5,928
Jointly controlled entities		
Sale of goods	**20,450**	14,108
Purchase of materials	**19,038**	16,262
Commission and management fee received	**20,544**	26,703
Royalty fee received	**72**	–
Engineering fee received	**121**	–

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2006 HK$'000	2005 HK$'000
Short-term benefits	**37,707**	45,709
Post-employment benefits	**1,523**	2,623
	39,230	48,332

The remuneration of Directors and key executives is determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

38. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	HK$'000
Assets		
Amounts due from subsidiaries	**1,056,043**	381,885
Bank balances	**101,134**	332
Investments in subsidiaries	**36,585**	36,585
Other receivables	**264**	224
Tax recoverable	**–**	47
Total assets	**1,194,026**	419,073
Liabilities		
Convertible loan notes	**767,047**	–
Embedded derivative component of convertible loan notes	**25,798**	–
Tax liabilities	**2,215**	–
Other payables	**597**	350
Total liabilities	**795,657**	350
Net assets	**398,369**	418,723
Capital and reserves		
Share capital	**55,842**	56,038
Reserves	**342,527**	362,685
Total capital and reserves	**398,369**	418,723

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39. 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 indirectly held	Principal activities
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 stainless steel products and provision of management services to group companies
Fong's National Engineering Company, Limited	Hong Kong	Ordinary – HK$100	100%	Trading of dyeing and finishing machines
		Deferred – HK$8,000,000 (Note)	–	
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
Goller (HK) Limited	Hong Kong	HK$1	100%	Trading in textile machinery
Goller Textilmaschinen GmbH	Germany	EUR25,000	100%	Trading and manufacture of textile machinery
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 stainless steels casting products
Tycon Alloy Industries (Shenzhen) Co. Ltd.	The PRC *	US$4,350,000	100%	Manufacture of stainless steels casting products

39. 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 indirectly held	Principal activities
THEN Maschinen (HK) Limited	Hong Kong	HK$1	100%	Trading in textile machinery and technical parts
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	100%	Trading in textile machinery and technical parts
Xorella AG	Switzerland	CHF350,000	100%	Trading and manufacture of textile machinery and technical parts

* A wholly-owned foreign enterprise

The above table lists the subsidiaries of the Company 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.

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.