

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended December 31, 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The subsidiaries of the Company are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2002 are set out in the consolidated income statement on page 21.

An interim dividend of 4.5 cents per share plus a special dividend of 2.5 cents per share, amounting to approximately HK\$39 million, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 6.5 cents per share plus a special dividend of 6.5 cents per share to the shareholders on the register of members on May 26, 2003, amounting to approximately HK\$73 million, and the retention of the remaining profit for the year.

Subject to the approval of the shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched to shareholders on or before June 12, 2003.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2002, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 15% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 39% of the Group's total purchases and purchases attributable to the Group's largest supplier were approximately 19% of the total purchases.

As far as the directors are aware, no director of the Company, their associates or any shareholder (who to the knowledge of the directors owns more than 5% of the Company's share capital) has interest in the Group's five largest suppliers or customers.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Fong Sou Lam (*Chairman*)
 Mr. Lee Che Chiu (*Managing Director*)
 Mr. Fong Kwok Leung, Kevin
 Mr. Fong Kwok Chung, Bill
 Mr. Cheuk Hon Kin, Kelvin
 Dr. Tsui Tak Ming, William
 Ms. Poon Hang Sim, Blanche

Independent non-executive directors:

Mr. Cheung Chiu Fan
 Mr. Lui Chi Lung, Louis

Mr. Cheung Chiu Fan was appointed under a contract for a term of 2 years commencing on January 1, 2001 and expiring on December 31, 2002. Upon expiry, his term of office was extended to December 31, 2004.

Mr. Lui Chi Lung, Louis was appointed under a contract for a term of 2 years commencing on September 9, 2000 and expiring on September 8, 2002. Upon expiry, his term of office was extended to September 8, 2004.

In accordance with Clause 99 of the Company's Bye-Laws, all directors shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at December 31, 2002, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of directors	Number of ordinary shares held	
	Personal interests	Other interests
Mr. Fong Sou Lam	13,486,000	—
Mr. Fong Kwok Leung, Kevin	1,550,000	342,575,601*
Mr. Fong Kwok Chung, Bill	1,838,000	342,575,601*
Mr. Cheuk Hon Kin, Kelvin	400,000	—
Ms. Poon Hang Sim, Blanche	250,000	—

* 342,575,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members.

DIRECTORS' INTERESTS IN SHARES (Continued)

Other than as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group as at December 31, 2002, none of the directors, or their associates had any beneficial interest in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	At January 1, 2002	Number of share options		At December 31, 2002
		Granted	Exercised	
Employees	1,050,000	–	1,050,000	–

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

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$1.41.

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests in Sou Lam Company, Limited ("Sou Lam").

The Group entered into operating lease agreements with Sou Lam for the leasing of a portion of a factory building. The operating lease agreements will expire on December 31, 2004. Total rentals paid by the Group to Sou Lam for the year amounted to HK\$5,375,533.

The above operating lease agreements were negotiated at terms agreed between relevant parties.

Other than as disclosed above, no other contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, no person was having an interest of 10% or more in the issued share capital of the Company as at December 31, 2002.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$107,054.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended December 31, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Fong Sou Lam
DIRECTOR

April 8, 2003