

DIRECTORS' REPORT • 董事會報告

The directors present their annual report and the audited financial statements for the year ended 31st August, 2005.

董事提呈截至二零零五年八月三十一日止年度之年報及經審核財務報表。

PRINCIPAL ACTIVITIES • 主要業務

The Company is an investment holding company. The principal activities of its principal subsidiaries and jointly controlled entities are set out in notes 14 and 15 to the financial statements, respectively.

本公司乃一間投資控股公司。其主要附屬公司及共同控制機構之主要業務分別載列於財務報表附註 14 及 15 內。

RESULTS AND APPROPRIATIONS • 業績及備撥

The results of the Group and appropriations of the Company for the year ended 31st August, 2005 are set out in the consolidated income statement on page 34 and in the accompanying notes to the financial statements.

截至二零零五年八月三十一日止年度之本集團業績及本公司備撥詳情載列於第 34 頁之綜合收益賬及其有關之財務報表附註內。

The directors recommend the payment of a final dividend of HK7.0 cents per share payable to shareholders whose names appear on the register of members on 23rd January, 2006 which, together with the interim dividend of HK3.0 cents per share paid during the year, makes a total dividend for the year of HK10.0 cents per share.

董事建議派發末期股息每股 7.0 港仙予在二零零六年一月二十三日名列在股東名冊內之股東，連同在本年度已付的中期股息每股 3.0 港仙，全年股息共為每股 10.0 港仙。

INVESTMENT PROPERTIES • 投資物業

The Group's investment properties were revalued at 31st August, 2005 and the resulting surplus of approximately HK\$78,000 has been credited to the consolidated income statement.

本集團之投資物業於二零零五年八月三十一日已重估，而所產生約 78,000 港元之盈餘已在綜合收益賬內計入。

Details of this and other movements in the investment properties of the Group during the year are set out in note 11 to the financial statements. Particulars of the Group's investment properties are set out on page 21.

本年度本集團之投資物業連上述及其他變動詳情載列於財務報表附註 11 內。本集團之投資物業詳情載列於第 21 頁。

PROPERTY, PLANT AND EQUIPMENT • 物業、機器及設備

During the year, the Group incurred expenditure of approximately HK\$134,067,000 and HK\$248,267,000 on plant and machinery and construction in progress, respectively, to expand and upgrade the Group's manufacturing facilities.

本年度本集團為擴大及增強本集團生產設備而用於廠房機器及興建中物業的開支分別約為 134,067,000 港元及 248,267,000 港元。

Details of these and other movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 12 to the financial statements.

本年度本集團及本公司之物業、機器及設備連上述及其他變動詳情載列於財務報表附註 12 內。

DIRECTORS' REPORT • 董事會報告

SHARE CAPITAL • 股本

Details of the Company's share capital are set out in note 22 to the financial statements.

本公司之股本詳情載列於財務報表附註 22 內。

RESERVES • 儲備

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

本年度本公司之儲備變動詳情載列於財務報表附註 24 內。

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS • 董事及董事服務合約

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

於本年度及截至本年報日，本公司董事名單如下：

Executive directors:

執行董事：

Mr. Ha Chung Fong (*Chairman*)

夏松芳先生 (主席)

Mr. Lau Hong Yon

柳康遠先生

Mr. Ha Kam On, Victor (appointed on 1st September, 2004)

夏錦安先生 (於二零零四年九月一日被委任)

Dr. Yen Gordon (appointed on 1st September, 2004)

嚴震銘博士 (於二零零四年九月一日被委任)

Mr. Pow Man Kue (resigned on 1st September, 2004)

鮑文巨先生 (於二零零四年九月一日離任)

Non-executive directors:

非執行董事：

Mr. Ha Hon Kuen

夏漢權先生

Ms. Yeh Yi Hao, Yvette

葉儀皓女士

Independent non-executive directors:

獨立非執行董事：

Mr. Ng Kwok Tung

伍國棟先生

Mr. Wong Kwong Chi

王幹芝先生

Mr. Chow Wing Kin, Anthony, SBS, JP (appointed on 1st September, 2004)

周永健先生， (於二零零四年九月一日被委任)

銀紫荊星章，

太平紳士

DIRECTORS' REPORT • 董事會報告

Pursuant to Article 102 of the Company's Articles of Association, Messrs. Lau Hong Yon and Ha Hon Kuen and Ms. Yeh Yi Hao, Yvette shall retire by rotation at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election.

For those retiring directors, Mr. Lau Hong Yon has entered into a service contract with the Company for a term of two years commencing 1st March, 2003, and the terms of service continued without agreement on any fixed term. Mr. Ha Hon Kuen has entered into a service contract with the Company for a term of one year commencing 17th May, 1996. Ms. Yeh Yi Hao, Yvette has entered into a service contract with the Company for a term of eighteen months commencing 1st March, 2000. During the year, the terms of the contracts for Mr. Ha Hon Kuen and Ms. Yeh Yi Hao, Yvette were further extended to 31st August, 2006.

Messrs. Ng Kwok Tung, Wong Kwong Chi and Chow Wing Kin, Anthony, SBS, JP have entered into separate service contracts with the Company for a term of one year commencing 16th November, 1995, 16th August, 1998 and 1st September, 2004 respectively. During the year, the terms of their contracts were further extended to 31st August, 2006.

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

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Company considered all the independent non-executive directors to be independent.

根據本公司組織章程第102條，柳康遠先生、夏漢權先生及葉儀皓女士將於即將舉行之股東週年大會輪值告退。惟所有告退之董事均合資格及願膺選連任。

在告退之董事中，柳康遠先生已與本公司訂立一份服務合約，合約由二零零三年三月一日開始，為期兩年，而有關服務條款已延續但並無特定年期協定。夏漢權先生已與本公司訂立一份服務合約，合約由一九九六年五月十七日開始，為期一年。葉儀皓女士已與本公司訂立一份服務合約，合約由二零零零年三月一日開始，為期十八個月。本年度夏漢權先生及葉儀皓女士之合約已再續期至二零零六年八月三十一日。

伍國棟先生、王幹芝先生及周永健先生（銀紫荊星章，太平紳士）已分別與本公司訂立服務合約，合約分別由一九九五年十一月十六日、一九九八年八月十六日及二零零四年九月一日開始，為期一年。本年度該等合約已再續期至二零零六年八月三十一日。

除上述披露外，所有需於即將舉行之股東週年大會上重選之董事及所有非執行董事與本集團並無訂立任何於一年內非由本集團決定終止而無須支付賠償（一般法定責任除外）之服務合約。

本公司已收到每位獨立非執行董事按香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第3.13條規則所發出的每年獨立確認書，本公司認為所有獨立非執行董事確屬獨立人士。

DIRECTORS' REPORT • 董事會報告

DIRECTORS' INTERESTS IN SECURITIES • 董事之證券權益

At 31st August, 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), were as follows:

Long positions in shares and underlying shares of the Company:

| Name of director 董事名稱 | Beneficial owner 實益擁有人 | Number of shares held as 擁有股份數目 | | Total 總數 | Approximate % of the issued share capital 約佔已發行 股本比率 |
|---------------------------------|------------------------------|------------------------------------|--|-------------|---|
| | | Other interests 其他權益 | | | |
| Mr. Ha Chung Fong 夏松芳先生 | 6,478,000 | 282,014,044 (note) (附註) | | 288,492,044 | 36.33 |
| Mr. Lau Hong Yon 柳康遠先生 | 280,000 | — | | 280,000 | 0.04 |
| Ms. Yeh Yi Hao, Yvette 葉儀皓女士 | 70,000 | — | | 70,000 | 0.01 |

Note:

Mr. Ha Chung Fong was deemed to be interested in 282,014,044 shares in the Company in virtue of the set up of a discretionary trust, the Ha Trust, for the benefit of his family and Trustcorp Limited ("Trustcorp") is the trustee of the Ha Trust.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

於二零零五年八月三十一日，根據本公司按證券及期貨條例第352條設置之名冊所記錄或按上市規則內上市公司董事進行證券交易之標準守則（「標準守則」）須通知本公司及聯交所之資料，各董事及其聯繫人於本公司及其聯營公司所擁有之股份及相關股份權益如下：

於本公司股份及相關股份的好倉情況：

附註：

由於夏松芳先生為其家族利益成立一項酌情信託 the Ha Trust，因此被當作擁有 282,014,044 股本公司股份權益。Trustcorp Limited（「Trustcorp」）為 the Ha Trust 之受託人。

除上述披露外，根據本公司按證券及期貨條例第352條設置之名冊所記錄或按標準守則須通知本公司及聯交所之資料，本公司董事及其聯繫人並無擁有本公司或本公司任何聯營公司任何股份及相關股份權益或淡倉。

DIRECTORS' REPORT • 董事會報告

SHARE OPTIONS • 認股權

Particulars of the Company's share option scheme are set out in note 23 to the financial statements.

本公司認股權計劃之詳情載列於財務報表附註 23 內。

No share option has been granted to or exercised by the directors of the Company during the year.

本年度本公司董事並無被授出及行使認股權。

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES • 購買股份或債務證券安排

Save as disclosed above, at no time during the year was the Company or any of 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 nor any of their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

除上述披露外，本公司或其任何附屬公司在本年度內任何時間均無任何安排，使本公司董事藉購買本公司或任何其他公司之股份或債務證券（包括債券）而獲益，本年度各董事或任何其他其配偶及其子女（年齡少於十八歲）並無授權可認購本公司證券或並無行使該權利。

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS • 董事擁有之重要合約權益及關連交易

On 20th July 2005, the Company entered into a Sale and Purchase Agreement with Mr. Chow Pong Sing ("Mr. Chow"). Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire 2,000,000 shares of Goldlink Thread Limited ("Goldlink") (representing 40% of its total issued and paid up share capital) and 4,000 shares of Goldfolk Limited ("Goldfolk") (representing 40% of its total issued and paid up share capital) respectively from Mr. Chow. The consideration has been satisfied by the payment of HK\$9,000,000 in cash upon completion of the Sale and Purchase Agreement which has taken place on 20th July 2005. Upon completion of the Sale and Purchase Agreement, the Group owns the entire equity interest of both Goldlink and Goldfolk. Both Goldlink and Goldfolk are non-wholly owned subsidiaries of the Company before the completion of the transaction. Mr. Chow was a director of Goldlink, Goldfolk and Dongguan Goldlink Thread Factory Co., Ltd. ("Dongguan Goldlink") (Goldlink owns 95% of the interest of Dongguan Goldlink) (collectively "Goldlink Group") at the time of entering into the Sale and Purchase Agreement.

於二零零五年七月二十日，本公司與周邦盛先生（「周先生」）訂立一份買賣協議。根據買賣協議，本公司已同意向周先生分別購入金菱線廠有限公司（「金菱」）之 2,000,000 股股份（代表其所有已發行及已支付股本之 40%）及金孚有限公司（「金孚」）之 4,000 股股份（代表其所有已發行及已支付股本之 40%）。代價為 9,000,000 港元，於二零零五年七月二十日買賣協議完成時以現金繳付。當買賣協議完成後，本集團擁有金菱及金孚之全部股份權益。於交易完成前，金菱及金孚均為本公司非全資擁有的附屬公司。周先生於簽訂股份買賣協議時為金菱、金孚及東莞金菱線廠有限公司（「東莞金菱」）（金菱擁有東莞金菱 95% 之股權）（統稱「金菱集團」）之董事。

DIRECTORS' REPORT • 董事會報告

Dongguan Goldlink has entered into a Master Subcontracting Transactions Agreement with two subsidiaries of the Company ("Two Subsidiaries") on 3rd May 2004 for the Two Subsidiaries to provide subcontracting services of dyeing to Dongguan Goldlink on an order-by-order basis with the aggregate annual amounts not exceeding HK\$9,000,000, HK\$12,000,000 and HK\$15,000,000 for each of the three financial years ended 31st August, 2006 respectively. During the period from 1st September, 2004 to 20th July, 2005, the Two Subsidiaries provided subcontracting services to Dongguan Goldlink of an aggregate amount of approximately HK\$6,665,000.

Goldlink Group has entered into a Master Sales Transactions Agreement with eleven subsidiaries of the Company ("Eleven Subsidiaries") on 3rd May 2004 for Goldlink Group to sell yarns and sewing threads to the Eleven Subsidiaries on an order-by-order basis with the aggregate annual amounts not exceeding HK\$5,000,000, HK\$10,000,000 and HK\$15,000,000 for each of the three financial years ended 31st August, 2006 respectively. During the period from 1st September, 2004 to 20th July, 2005, Goldlink Group sold yarns and sewing threads to the Eleven Subsidiaries of an aggregate amount of approximately HK\$2,616,000.

On 3rd May, 2004, Fountain Set Textiles (Ontario) Limited ("Fountain Set Ontario"), a non-wholly owned subsidiary of the Company, has entered into a Master Purchase Transactions Agreement with seven subsidiaries of the Company ("Seven Subsidiaries") for Fountain Set Ontario to purchase fabrics, yarns and garments ("Products") from the Seven Subsidiaries on an order-by-order basis with the aggregate annual amounts not exceeding HK\$34,000,000, HK\$42,000,000 and HK\$53,000,000 for each of the three financial years ended 31st August, 2006 respectively. Mr. Kwan Wan Kee is the Vice President of Fountain Set Ontario and holds approximately 41% of the equity interest of Fountain Set Ontario. During the year, Fountain Set Ontario purchased the Products from the Seven Subsidiaries of an aggregate amount of approximately HK\$15,731,000.

The terms of the above transactions were considered by the Board of Directors of the Company (including the independent non-executive directors) as fair and reasonable and the above transactions had been entered into on normal commercial terms.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contracts of significance to which the Company or any of 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.

東莞金菱與本公司兩間附屬公司(「兩間附屬公司」)於二零零四年五月三日已訂立一份加工交易總協議，由兩間附屬公司按個別訂單基準向東莞金菱提供染色加工服務，而於截至二零零六年八月三十一日止的三個財政年度之各年度加工服務總金額分別不可多於9,000,000港元、12,000,000港元及15,000,000港元。於二零零四年九月一日至二零零五年七月二十日止期間，兩間附屬公司向東莞金菱提供加工服務的總金額約為6,665,000港元。

金菱集團與本公司十一間附屬公司(「十一間附屬公司」)於二零零四年五月三日已訂立一份銷售交易總協議，由金菱集團按個別訂單基準向十一間附屬公司銷售紗及縫紉線，而於截至二零零六年八月三十一日止的三個財政年度之各年度銷售總金額分別不可多於5,000,000港元、10,000,000港元及15,000,000港元。於二零零四年九月一日至二零零五年七月二十日止期間，金菱集團向十一間附屬公司銷售紗及縫紉線的總金額約為2,616,000港元。

於二零零四年五月三日，本公司非全資附屬公司 Fountain Set Textiles (Ontario) Limited (「福田安省」) 與本公司七間附屬公司(「七間附屬公司」)已訂立一份採購交易總協議，由福田安省按個別訂單基準向七間附屬公司採購布疋、紗及成衣(「產品」)，而於截至二零零六年八月三十一日止的三個財政年度之各年度採購總金額分別不可多於34,000,000港元、42,000,000港元及53,000,000港元。關宏基先生為福田安省之副總裁及擁有福田安省約41%股權。本年度福田安省向七間附屬公司採購產品的總金額約為15,731,000港元。

本公司董事會(包括獨立非執行董事)認為以上交易的條款乃屬公平及合理，並按正常商業條款進行。

除上述披露外，於本年度終結時或在本年度內任何時間，本公司或其任何附屬公司並無其他根據上市規則須予披露之關連交易，亦無訂立任何與本公司董事有直接或間接重大利益之重要合約。

DIRECTORS' REPORT • 董事會報告

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES • 購買、出售及贖回本公司之上市證券

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

本年度本公司及其任何附屬公司並無購買、出售或贖回本公司之上市證券。

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS • 主要股東及其他股東權益

At 31st August, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

於二零零五年八月三十一日，根據本公司按證券及期貨條例第336條所設置的主要股東名冊顯示，除上述部份董事已披露之權益外，以下股東已通知本公司其擁有本公司已發行股本的有關權益。

Long (short) positions in shares and underlying shares of the Company:

於本公司股份及相關股份的好倉（淡倉）情況：

| Name of substantial shareholder 主要股東名稱 | Number of shares 股份數目 | Capacity 身份 | Approximate % of the issued share capital 約佔已發行 股本比率 |
|--|--|--|---|
| Ms. Tang Kuen Mui 鄧娟妹女士 | 288,492,044 (notes 1 and 3) (附註 1 及 3) | Spouse interest 配偶權益 | 36.33 |
| Trustcorp | 282,014,044 (notes 2 and 3) (附註 2 及 3) | Trustee 受託人 | 35.52 |
| Gryphon Investment Counsel Inc. | 74,633,217 | 4,864,000 shares as investment manager and 69,769,217 shares as interest of corporation controlled 4,864,000 股為投資經理及 69,769,217 股為所控制的法團的權益 | 9.40 |
| Mondrian Investment Partners Ltd. (formerly known as Delaware International Advisers Limited) | 71,836,000 | Investment manager 投資經理 | 9.05 |

DIRECTORS' REPORT • 董事會報告

| Name of substantial shareholder 主要股東名稱 | Number of shares 股份數目 | Capacity 身份 | Approximate % of the issued share capital 約佔已發行 股本比率 |
|---|----------------------------------|--|---|
| Morgan Stanley | 61,257,100 (16,123,100) | Interest of corporation controlled 所控制的法團的權益 | 7.71 (2.03) |
| J.P.Morgan Chase & Co. | 55,273,524 (note 4) (附註 4) | 600,000 shares as beneficial owner, 6,600,000 shares as investment manager and 48,073,524 shares as approved lending agent 600,000 股為實益擁有人， 6,600,000 股為投資經理及 48,073,524 股為核准借出代理人 | 6.96 |

Notes:

附註：

- | | |
|---|---|
| 1. Ms. Tang Kuen Mui, spouse of Mr. Ha Chung Fong, was deemed to be interested in the shares. | 1. 鄧娟妹女士為夏松芳先生之配偶，因而被當作擁有該等股份權益。 |
| 2. Trustcorp is the trustee of the Ha Trust, a discretionary trust set up by Mr. Ha Chung Fong for the benefit of his family. | 2. Trustcorp 為 the Ha Trust 之受託人，the Ha Trust 為夏松芳先生為其家族利益而成立的一項酌情信託。 |
| 3. The interests of Mr. Ha Chung Fong, Ms. Tang Kuen Mui and Trustcorp were duplicated. | 3. 夏松芳先生、鄧娟妹女士及 Trustcorp 之權益是重複的。 |
| 4. The 55,273,524 shares included a lending pool of 48,073,524 shares. | 4. 於 55,273,524 股內包括 48,073,524 股可供借出的股份。 |

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st August, 2005.

除上述披露外，於二零零五年八月三十一日，本公司並無收到任何其他擁有本公司已發行股本的有關權益或淡倉通知。

DIRECTORS' REPORT • 董事會報告

MAJOR CUSTOMERS AND SUPPLIERS • 主要客戶及供應商

The aggregate turnover attributable to the Group's five largest customers was less than 30% of the total turnover for the year.

本年度本集團前五大客戶共佔營業總額少於30%。

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases for the year.

本年度本集團前五大供應商共佔採購總額少於30%。

DONATIONS • 捐款

During the year, the Group made charitable and other donations totalling approximately HK\$1,207,000.

本年度本集團作出之慈善及其他捐款共約 1,207,000 港元。

SUFFICIENCY OF PUBLIC FLOAT • 足夠公眾持股量

From information publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31st August, 2005.

從本公司可獲得之公開資料顯示及就本公司董事所知，本公司於截至二零零五年八月三十一日止年度內一直維持足夠公眾持股量。

POST BALANCE SHEET EVENT • 結算日後事項

Details of a significant event occurring after the balance sheet date are set out in note 31 to the financial statements.

於結算日後所發生之一項重大事項之詳情載列於財務報表附註 31 內。

CODE OF BEST PRACTICE • 最佳應用守則

The Company has complied throughout the year ended 31st August, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1st January, 2005.

於截至二零零五年八月三十一日止年度內，本公司一直遵守二零零五年一月一日前生效之上市規則附錄 14「最佳應用守則」之規則。

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS • 董事進行證券交易的標準守則

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with the required standard set out in the Code for the year under review.

本公司已採納標準守則為其有關董事進行證券交易之操作守則（「守則」）。經向本公司所有董事作出特定查詢後，本公司確認本公司所有董事於回顧年度內已遵守守則所規定之準則。

DIRECTORS' REPORT • 董事會報告

AUDIT COMMITTEE • 審核委員會

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit Committee presently comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed the audited final results.

本公司已成立審核委員會，藉以檢討及監查本公司之財務申報程序及內部監控。審核委員會現由三名本公司獨立非執行董事組成。審核委員會已審閱已審核之全年業績。

AUDITORS • 核數師

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

本公司將於即將舉行之股東週年大會上提呈決議案，續聘德勤•關黃陳方會計師行為本公司之核數師。

On behalf of the Board

代董事會

Ha Chung Fong
Director

董事
夏松芳

Hong Kong
15th December, 2005

香港
二零零五年十二月十五日