

## REPORT OF THE DIRECTORS

The directors of the Company are pleased to present their report and the audited financial statements of the Group for the year ended 30 September 2006.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of its principal activities of the subsidiaries are set out in note 30 to the financial statements. There was no significant changes in the nature of the Group's principal activities during the year.

### SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 30 September 2006 are set out in note 7 to the financial statements.

### RESULTS AND DIVIDEND

The results of the Group for the year ended 30 September 2006 and the state of affairs of the Group as at that date are set out in the financial statements on pages 28 to 82.

During the year under review, the Board has declared and paid an interim dividend of HK1 cent per share.

The directors recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year ended 30 September 2006 to the shareholders whose names appear on the register of members of the Company on 1 March 2007. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting of the Company and will be paid on or around 21 March 2007.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

### SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 30 September 2006, together with the reasons therefor, are set out in note 26 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and the consolidated statement of changes in equity on pages 30 and 31 of the annual report.

## DISTRIBUTABLE RESERVES

At 30 September 2006, the Company had distributable reserves of approximately HK\$381,246,000. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$297,382,000 as at 30 September 2006, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers and the Group's largest customer accounted for approximately 16.3% and 3.7%, respectively, of the Group's total sales for the year.

Purchases from the Group's five largest suppliers and the Group's largest supplier accounted for approximately 34.5% and 7.5%, respectively, of the Group's total purchases for the year.

Neither the directors of the Company, any of their associates nor any shareholders (which to the best knowledge of the directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

## DIRECTORS

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

### Executive directors

Mr. Cai Zhenrong (*Chairman*)  
Mr. Cai Zhenyao  
Mr. Cai Zhenying  
Mr. Cai Yangbo  
Mr. Choi Wing Toon  
Mr. Mak Shiu Chung, Godfrey

### Independent non-executive directors

Mr. Lawrence Gonzaga  
Ms. Choy So Yuk  
Mr. Wong Siu Hong

In accordance with Article 108 of the Company's articles of association, Mr. Cai Zhenrong, Mr. Cai Zhenying and Mr. Cai Yangbo will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company are set out on pages 24 to 25 of the annual report.

## DIRECTORS' SERVICE AGREEMENTS

Each of the executive directors, excluding Mr. Mak Shiu Chung, Godfrey ("Mr. Mak"), has entered into a service agreement with the Company for a term of three years commencing from 1 August 2002, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Mak has entered into a service agreement with the Company without specific terms of office commencing from 18 February 2003, and is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association, which may be terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive directors has entered into a letter of appointment with the Company without specific terms of office and is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

## CONNECTED TRANSACTIONS

There were no transactions which should be disclosed in the annual report as connected transactions in accordance with the requirements of the Listing Rules.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, the interests of the directors or chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be maintained under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") in the Listing Rules were as follows:

### Long positions

#### Ordinary shares of HK\$0.01 each of the Company

Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Zhenrong	Beneficial owner	Personal	427,140,000 (Long position)	48.51%

Save as disclosed above, as at 30 September 2006, none of the directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be maintained under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' and chief executives' interests in shares or short positions in shares and underlying shares" and "Share option scheme", at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") and the details of the movements in share options which were granted under the scheme are set out in note 27 to the financial statements.

To enhance the transparency of the status in relation to the granting of share options of the Company, on 19 August 2003, the Company made an announcement to the public that it would make announcements to inform the shareholders promptly every time when the directors approve granting of any further share options.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, to the best knowledge of the directors of the Company, the following person (other than a director of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO:

### Long positions

#### Ordinary Shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Ms. Su Liyuan	Interest of spouse (Note)	427,140,000 (Long position)	48.51%

Note: These 427,140,000 shares are held and beneficially owned by Mr. Cai Zhenrong, an executive director of the Company. Under the SFO, Ms. Su Liyuan is deemed to be interested in these 427,140,000 shares.

#### Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Name of the member of the Group	Approximate percentage of registered capital of the member
華岳染整有限公司	Shenyang Huafeng Dyeing & Printing Co., Ltd.	46.4%

Save as disclosed above, at 30 September 2006, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had any interest or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no directors of the Company or their respective associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

## POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet date events of the Group are set out in note 35 to the financial statements.

## PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the directors of the Company, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

## AUDITORS

The accompanying financial statements for the years ended 30 September 2004, 2005 and 2006 were audited by RSM Nelson Wheeler who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

**Cai Zhenrong**  
*Chairman*

Hong Kong, 25 January 2007