



天虹紡織集團有限公司
TEXHONG TEXTILE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 2678

ANNUAL REPORT 2005
年報

TEXHONG TEXTILE GROUP LIMITED

天虹紡織集團有限公司

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Operating Figures 經營數據

For the year ended 31 December 截至12月31日止年度		2005 RMB'000 人民幣千元	2004 RMB'000 人民幣千元 Restated 重列	Change 轉變	2003 RMB'000 人民幣千元	2002 RMB'000 人民幣千元	2001 RMB'000 人民幣千元
Turnover	營業額	1,915,965	1,415,852	+35.3%	1,034,340	730,152	343,833
Gross profit	毛利	342,697	229,373	+49.4%	155,896	139,702	62,505
Profit for the year	年度溢利	180,210	137,048	+31.5%	84,838	106,803	49,935
Earnings per share	每股盈利						
– Basic	– 基本	RMB人民幣0.21元	RMB人民幣0.19元	+10.5%	RMB人民幣0.12元	RMB人民幣0.15元	RMB人民幣0.07元
– Diluted	– 攤薄	RMB人民幣0.21元	RMB人民幣0.19元	+10.5%	RMB人民幣0.12元	RMB人民幣0.15元	RMB人民幣0.07元

Consolidated Balance Sheet 綜合資產負債表

As at 31 December 於12月31日		2005 RMB'000 人民幣千元	2004 RMB'000 人民幣千元 Restated 重列	Change 轉變	2003 RMB'000 人民幣千元	2002 RMB'000 人民幣千元	2001 RMB'000 人民幣千元
Total assets	總資產	1,401,768	966,518	+45.0%	633,396	522,912	218,234
Non-current assets	非流動資產	657,841	388,792	+69.2%	288,162	286,461	142,401
Current assets	流動資產	743,927	577,726	+28.7%	345,234	236,451	75,833
Total liabilities	總負債	645,454	399,867	+61.4%	342,488	297,472	113,318
Current liabilities	流動負債	560,797	387,855	+44.6%	342,283	290,096	109,870
Non-current liabilities	非流動負債	84,657	12,012	+604.8%	342,283	290,096	109,870
Net current assets/ (liabilities)	流動資產 (負債)淨值	183,130	189,871	-3.6%	2,951	(53,645)	(34,037)
Net assets	資產淨值	756,314	566,651	+33.5%	290,908	225,440	104,916

Financial Indicators 財務指標

For the year ended 31 December
截至12月31日止年度

	2005	2004 Restated 重列	2003 Restated 重列	2002 Restated 重列	2001 Restated 重列
Inventory turnover days 存貨周轉日數	50	46	44	36	36
Trade receivable turnover days 應收貿易款項周轉日數	28	30	36	31	25
Trade payable turnover days 應付貿易款項周轉日數	27	18	24	26	29
Current ratio 流動比率	1.3	1.5	1.0	0.8	0.7
Net debt to equity ratio (Note 1) 淨債項對股本比率 (附註1)	0.11	0	0.68	0.60	0.26
Return on equity (Note 2) 股本回報率 (附註2)	27%	32%	33%	65%	68%

Note 1: Based on total bank borrowings net of cash and cash equivalents over total equity.

附註1: 根據銀行借款總額扣除現金及現金等值物除權益總額計算得出。

Note 2: Based on the average of the total equity at the beginning and ending of the financial year.

附註2: 根據財政年度年初及年終時之平均權益總額計算得出。

Remarks:

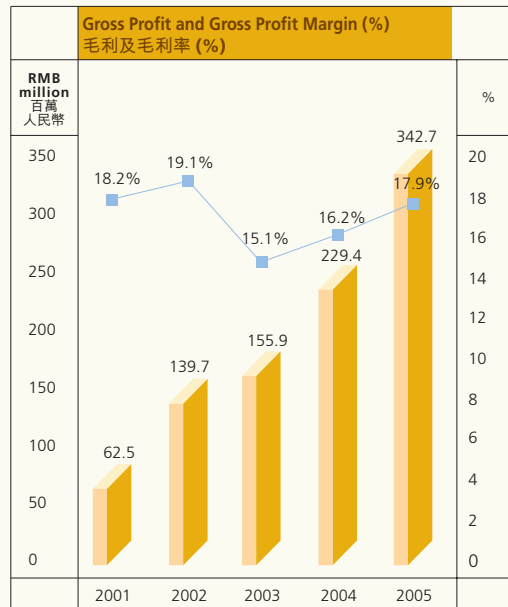
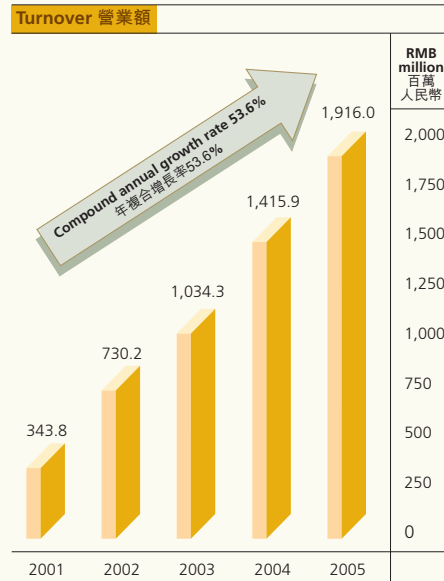
The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company became the holding company of the Group on 21 November 2004 through a reorganisation (the "Reorganisation"). The Group has been treated as a continuing entity and accordingly the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group since 1 January 2001, rather than from 21 November 2004.

備註:

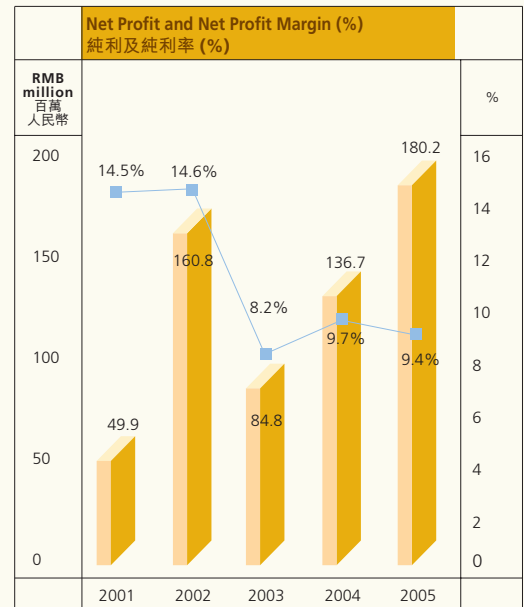
根據開曼群島公司法第22章(一九六一年第三條法例,經綜合及修訂),本公司於二零零四年七月十二日在開曼群島註冊成立為獲豁免有限公司。本公司透過重組(「重組」)於二零零四年十一月二十一日成為本集團的控股公司。本集團被視為持續經營實體,因此綜合財務報告乃自二零零一年一月一日起(而非從二零零四年十一月二十一日起)已按照本公司為本集團的控股公司編製。

Accordingly, the results of the Group for the five years ended 31 December 2005 have been prepared on the basis of merger accounting as if the Group structure immediately after the Reorganisation had been in existence since 1 January 2001. This financial highlights include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation, whichever is a shorter period. The combined balance sheets as at 31 December 2001, 2002 and 2003 are the combination of the balance sheets of all the companies comprising the Group as at 31 December 2001, 2002 and 2003. In the opinion of the directors of the Company, the resulting combined financial statements give a more meaningful view of the results and the state of the affairs of the Group as a whole.

因此,本集團截至二零零五年十二月三十一日止五個年度的業績乃按合併會計基準編製,猶如緊隨重組的本集團結構於自二零零一年一月一日起已經存在。本財務摘要包括本公司及其附屬公司由二零零一年一月一日起或彼等各自註冊成立日期起(以較短期間者為準)之業績。於二零零一年、二零零二年及二零零三年十二月三十一日的合併資產負債表合併於二零零一年、二零零二年及二零零三年十二月三十一日組成本集團所有的公司的資產負債表。本公司董事認為,最終的合併財務報告對本集團整體業績及財務狀況有更具意義的呈現。



— Gross profit margin 毛利率
 Gross profit 毛利



— Net profit margin 純利率
 Net profit 純利

Corporate Profile and Structure

企業簡介及架構

CORPORATE PROFILE

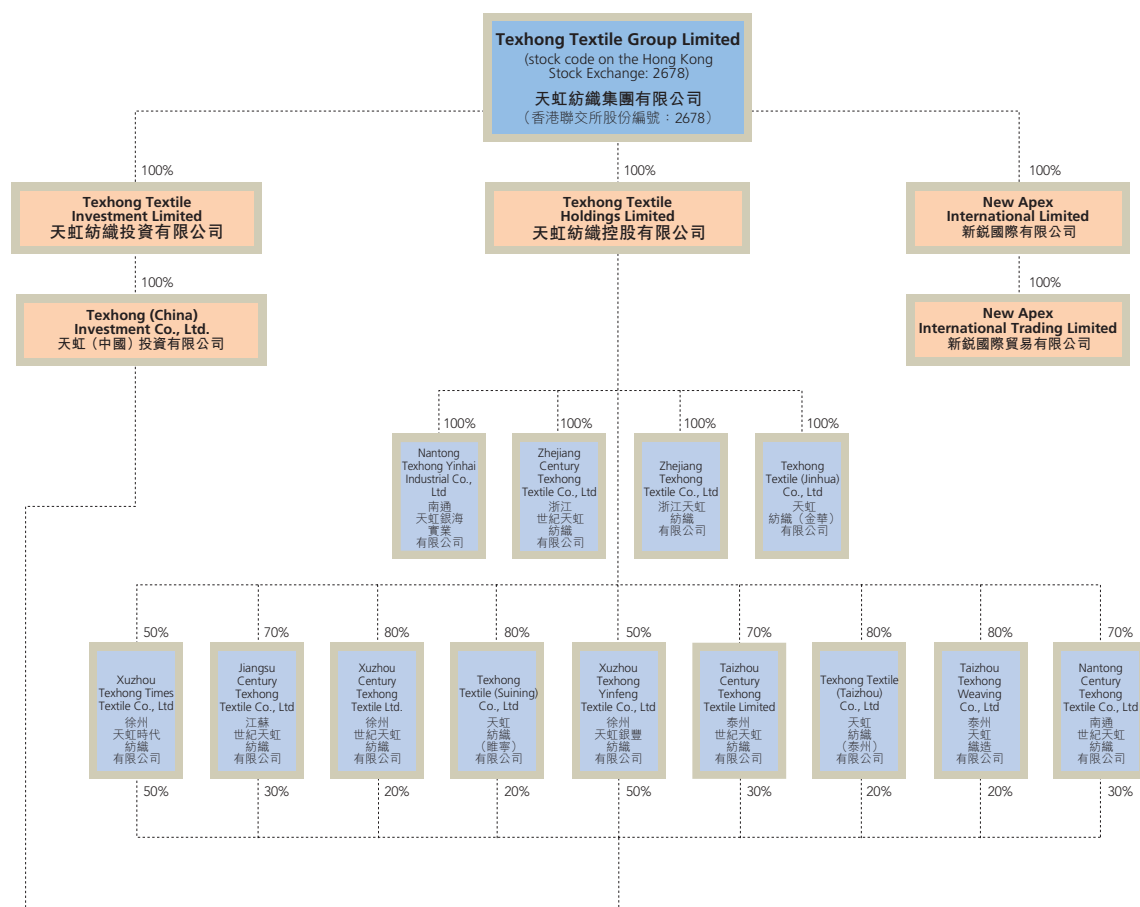
Texhong Textile Group Limited (“Texhong Textile” or the “Group”) (Stock code on The Stock Exchange of Hong Kong Limited: 2678) is one of the largest cotton textile manufacturers in the People’s Republic of China (“China” or “the PRC”) and is a leading textile enterprise focusing on manufacturing high value-added core-spun cotton textile products. The Group is principally engaged in the manufacture and distribution of quality yarn, grey fabrics and garment fabrics, especially high value-added core-spun yarn. Since 1997, the Group has grown rapidly and has over 1,200 customers in China and overseas, with its sales network spanning across the PRC, Europe, North America, Bangladesh, Hong Kong and South Korea. Headquartered in Shanghai, the Group is also operating 10 efficient manufacturing plants in China within the Yangze River Delta.

企業簡介

天虹紡織集團有限公司（「天虹紡織」或「本集團」）（香港聯合交易所有限公司股份編號：2678）是中華人民共和國（「中國」）最大的棉包芯紡織品製造商之一，更是中國領先的高附加值氨綸彈力紡織企業。本集團的主要業務為製造及銷售優質紗線、坯布及面料，尤其專注生產具有高附加值的棉包芯。自一九九七年始，本集團業務發展迅速，更擁有超過1,200個國內外客戶，銷售網絡遍及中國、歐洲、北美洲、孟加拉、香港及南韓。本集團以上海為總部，於中國長江三角洲內設有10個高效生產基地。

CORPORATE STRUCTURE

企業架構



January	Purchased a plot of land in Suining County, Xuzhou, Jiangsu Province, the PRC and planned to construct a new plant with 100,000 spindles	1月	購入一幅位於中國江蘇省徐州睢寧縣的土地，計劃興建配備100,000個紗錠的全新生產基地
February	Signed a leasing agreement to lease a factory with 5 plants in Xuzhou, Jiangsu Province, the PRC, adding 87,000 spindles and 84 air-jet looms to the Group	2月	簽訂租賃協議，租賃中國江蘇省徐州一個設有5個廠房的工廠，為本集團增加87,000個紗錠及84台噴氣織布機
March	Expanded the production facilities of the existing plant in Xuzhou (Xuzhou Texhong Yinfeng Textile Co., Ltd.), adding 12,600 spindles for manufacturing core-spun yarn	3月	擴充現有徐州生產基地（徐州天虹銀豐紡織有限公司）的生產設備，增加12,600個紗錠，專注生產棉包芯紗線
April	Commenced commercialised operations of the leased factory in Xuzhou	4月	於徐州租賃的工廠正式投入商業化運作
June	Purchased machineries and facilities of 100,000 spindles for the new plant in Suining County, Xuzhou, Jiangsu Province, the PRC	6月	為中國江蘇省徐州睢寧縣的全新生產基地購置共100,000個紗錠的設備及機器
August	Ranked by China National Textile Industry Council as one of the top 20 most competitive PRC textile manufacturers in China and 13th largest PRC textile manufacturer in terms of sales in 2004-2005	8月	被中國紡織工業協會評定為二零零四至二零零五年度中國紡織行業競爭力前二十強及以銷售額排名第十三大企業
December	The new plant in Suining County, Xuzhou, Jiangsu Province, the PRC was gradually put into production	12月	中國江蘇省徐州睢寧縣的全新生產基地開始逐步投入生產



On behalf of the board of directors (the "Board") of the Group, I am pleased to present to our shareholders the Group's annual results for the year ended 31 December 2005.

RESULTS

2005 was the first full financial year after the Group's IPO, and we are pleased to report satisfactory performance for the year in lines with our business development plans. The Group's turnover increased by 35.3% to approximately RMB1,916 million. Profit for the year increased by 31.5% to approximately RMB180.2 million. Earnings per share were RMB0.21, compared to RMB0.19 in 2004.

本人謹代表董事會（「董事會」）欣然向股東提呈本集團截至二零零五年十二月三十一日止年度之全年業績。

業績

二零零五年為本集團上市以後的第一個全年財政年度。我們欣然取得滿意的表現，充分反映了本集團業務發展及計劃的成功。本集團營業額上升35.3%至約人民幣1,916,000,000元，年度溢利增長31.5%至約人民幣180,200,000元，每股盈利為人民幣0.21元，二零零四年則為人民幣0.19元。

DIVIDEND

The Board recommended a final dividend of HK\$0.065 per share in respect of the financial year ended 31 December 2005. Subject to approval of the shareholders at the forthcoming Annual General Meeting, the dividend for the year represents a 33% payout of the net profit for the year.

BUSINESS REVIEW

2005 was a roller-coaster year for the textile industry in China, the unstable market environment has an impact on most of the export oriented textile and garment manufacturers and brought challenges to the PRC textile industry. The Group, well positioned as the upstream supplier of high value-added core-spun cotton textile products in China, was not severely affected by the safeguard measures placed on China by the US and the EU. Instead, the Group further enhanced its market position as a specialist in the core-spun cotton textile sector. During the year, the Group entered into a cooperative agreement with DOW Chemical for the application of DOW XLA fiber in core-spun yarn products.

During the year, the Group's "quick-response" flexible operation strategy and high quality products have further gained recognition and orders from customers. Sales of yarn increased substantially by 76.4% to RMB947.9 million and sales of fabrics increased by 12.1% to RMB944.1 million.

To cope with the growing number of orders and to achieve economies of scale, the Group continued to expand its production capacity by leasing production facilities and organic expansion in 2005. Currently, the Group has 10 production bases, spanning across Xuzhou, Taizhou and Nantong of Jiangsu Province and Jinhua of Zhejiang Province with total gross floor area of 747,500 sq m. As the Group continued to proactively expand its yarn production capacity, the number of spindles exceeded 400,000 as at 31 December 2005, with an estimated annual production capacity of yarn reaching 80,000 tonnes. In addition, the Group has over 1,000 shuttleless looms with an annual production capacity of over 90 million meters of grey fabrics.

股息

董事會建議派發截至二零零五年十二月三十一日止財政年度之末期股息每股0.065港元，待股東於即將舉行的股東週年大會上批准，本年度派發的股息佔純利33%。

業務回顧

二零零五年是中國紡織行業極為波動之年，不穩定的市場環境打擊了大部份以出口為主的紡織及成衣生產商，為整個中國紡織行業帶來新的挑戰。本集團作為中國高附加值棉包芯上游紡織品供應商，並無嚴重受到來自美國及歐盟對中國實施「特保措施」的影響。反之，本集團更提升了於棉包芯紡織行業內的專業地位。年內，本集團與陶氏化學達成合作協議，將DOW XLA纖維應用於棉包芯紗線產品之中。

年內，本集團「快速反應」的靈活營運策略以及優質的產品繼續得到客戶的肯定和支持，紗線的銷售額大幅上升76.4%至人民幣947,900,000元，坯布及色布的銷售額增加12.1%至人民幣944,100,000元。

為迎接不斷湧現的訂單，以及爭取規模效益，本集團於二零零五年繼續透過租賃生產設施及自身擴張提升生產能力。目前，本集團的生產基地已擴充至10個，分別位於江蘇省徐州、泰州及南通，以及浙江省金華。生產基地總佔地面積達到747,500平方米。隨著本集團積極擴大紗線生產能力，使紗錠數目於二零零五年十二月三十一日已超過400,000個，估計紗線年產能達到80,000噸；此外，本集團無梭織機數目超過1,000台，坯布年產能超過90,000,000米。

The Group continued to implement its product differentiation strategy in 2005 with innovative new core-spun cotton textile products including spandex stretch and other quality elastic yarn and grey fabrics. Capitalising on the Group's expertise in new product development and extensive customer recognition, those high-end new products such as core spun yarn with DOW XLA elastic fiber have gradually commenced commercialised production in 2005.

Furthermore, the Group established Texhong (China) Investment Co., Ltd. in Shanghai as its regional headquarter in China, teamed with well diversified professional management, the Group has successfully centralized sales and marketing, logistics and purchasing, financial management and human resources management on Group basis, with each manufacturing subsidiaries as a cost center focusing on enhancing labor productivities and quality. We believe that the Group has established an international standard operating platform providing core resources for the Group's further expansion.

OUTLOOK

Following the signing of the textile agreement between the US and the PRC governments on 8 November 2005, it is believed that 2006 will be relatively stable for the PRC textile industry. However, potential threats arising from trade protectionism and international trade disputes on textile and garment products are likely to continue and may impact on the PRC textile industry in the near future. Columbia has recently commenced anti-dumping investigation in January 2006. In addition, the rapid growth of textile industries in developing countries such as India and Pakistan poses challenges to PRC's textile manufacturers. All of these will accelerate the consolidation of the textile industry in the PRC, which will further enhance the competitiveness and economies of scale of large-scale textile enterprise. It is also believed that those most competitive PRC textile manufacturers will actively explore quota-free overseas markets and other international markets by leveraging on the trading platforms and textile expertises in Hong Kong and other regions.

二零零五年本集團繼續差異化產品發展策略，生產創新的棉包芯紡織產品包括氨綸彈力及其他優質彈力紗線及坯布。全賴本集團對新產品開發的專業技術，以及客戶對新產品的認同，該等全新系列的高端產品如棉包DOWX LA彈性纖維紗線已於二零零五年逐漸投入商業化生產階段。

此外，本集團於上海成立天虹（中國）投資有限公司，作為其於中國的總部，並組成了多元化的專業管理團隊。本集團成功整合了整個集團層面的中央銷售、市場推廣、物流、採購，以及財務及人事管理，令各生產子公司可以專注提升生產力及員工質素，擔當成本中心的角色。我們相信本集團已建立國際標準的操作平台，為本集團進一步發展提供核心動力資源。

未來展望

隨著二零零五年十一月八日中美雙方簽定紡織貿易協議，相信二零零六年中國紡織行業將趨向穩定發展。不過，紡織品及成衣之貿易保護措施和國際貿易磨擦所帶來之潛在威脅將於不久之將來繼續影響中國紡織行業，例如哥倫比亞於二零零六年一月份開始展開反傾銷調查。加上發展中國家如印度及巴基斯坦等紡織業的崛起，使中國紡織企業面臨更大的市場挑戰。然而這將加速中國紡織行業的整合，進一步提升大型紡織企業的競爭力及規模效益。此外，相信中國最具競爭力的紡織企業將積極開拓沒有配額限制的海外市場，同時借助香港及其他地區的貿易平台及紡織專才開拓國際市場。

Looking ahead, China will remain as the Group's core market and it is expected that the sales in China will attain outstanding increase due to the rapid growth in consumption power. Being one of the top 20 most competitive cotton textile manufacturers in China and a leading enterprise of core-spun cotton textile products, the Group is confident that, in 2006, its market position will be further enhanced in line with its expansion plans.

In addition, the Group will implement "3+1" partnership strategy to build up a partnership relationship with certain garment manufacturers and brand retailers and to enhance its competitiveness in export markets by introducing international talents and European designers for its garment fabrics business. Leveraging on the Group's reputable product quality, it is expected that the garment fabrics export business will achieve robust growth and extend its geographical reach. In view of the possible international textile trade disputes, the Group will keep a close eye on the latest development of the export market, and at the same time, explore other market opportunities in quota free areas, such as establishing strategic partnership with some Asean Countries and tapping into the garment market in Asia. In the long run, Texhong Textile is committed to becoming a leading vertically integrated cotton textile supplier in the international market.

Positioned as one of the leading core-spun cotton textile manufacturers in China, the Group will continue to expand its upstream yarn production capacity in the coming years to achieve high operational efficiency through economies of scale. As the Group has expanded substantially in the yarn production capacity in 2005, it is expected that the newly added production capacity will contribute and leading to an impressive growth for the Group in 2006. The weighted average number of spindles in 2006 will exceed 400,000, resulting in a drastic increase of 48% in the production capacity of yarn as compared to the weighted average of 270,000 in 2005. Besides, the Group will maintain its flexible strategies to expand its operating scale by seeking for more opportunities of low cost acquisition and organic expansion, with a target yarn production capacity of 550,000 spindles by the end of 2006.

展望未來，本集團將繼續以中國為主要核心市場，預期未來於中國的銷售量將隨著本土消費力的迅速提升而得到顯著增長。作為中國二十強最具競爭力棉紡織生產商，以及棉包芯紡織產品的領先企業，隨著積極的規模擴張計劃，本集團有信心二零零六年的市場地位將可獲得進一步的提升。

另外，本集團將採取「3+1」策略，與若干成衣製造商及品牌零售商建立夥伴關係，並引入面料方面的國際專才及歐洲設計師，使本集團於出口市場上更具競爭力。憑藉本集團超卓的產品質素，相信面料出口業務將繼續得到顯著的發展，並可推廣至更多市場。有見國際紡織貿易可能存在的紛爭，本集團將繼續密切留意出口市場的最新發展，並同時在無配額限制地區發掘其他市場商機，包括在部份東盟國家建立戰略性合作伙伴，拓展亞洲服裝廠的面料市場。長遠來說，天虹紡織將致力成為國際市場上領先的縱向整合棉紡織供應商之一。

作為中國領先的棉包芯紡織生產企業之一，本集團將於未來繼續擴充紗線生產能力，利用規模效益達到更有效的經營效率。相信本集團於二零零五年大幅增加紗線產能將帶動本集團於二零零六年取得顯著的增長。預期加權平均紗錠數目將由二零零五年的270,000個增加至二零零六年的超過400,000個，使平均紗線產能較二零零五年提升48%。同時，本集團將維持一貫的靈活經營策略，物色更多低成本收購及自身擴張的機會，目標於二零零六年年底，將紗線產能提升至550,000個紗錠。

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to all the shareholders for their continuous support. Also, I would like to take this opportunity to thank all our dedicated staff members for their valuable contribution during the year.

Hong Tianzhu
Chairman

Hong Kong
3 April 2006

致意

最後，本人謹代表董事會向全體股東致以衷心的謝意，感謝他們一直以來對集團的鼎力支持，並對全體員工於過去一年為集團所作的寶貴貢獻致意。

主席
洪天祝

香港
二零零六年四月三日

MARKET REVIEW

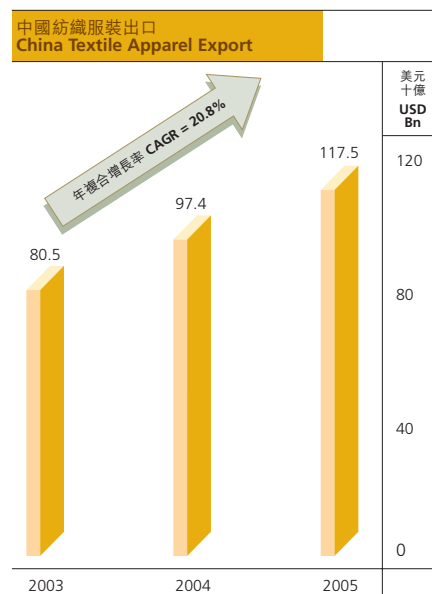
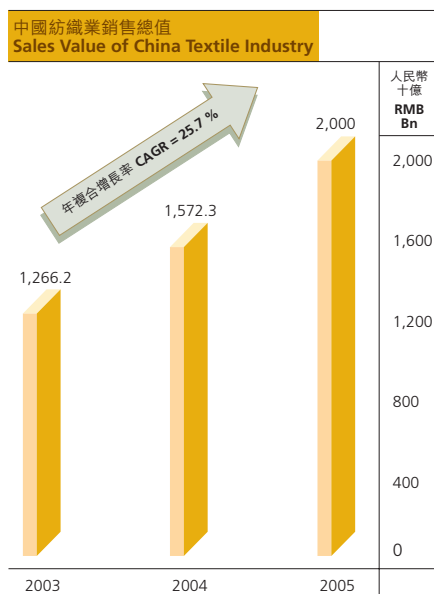
Following the abolition of the export quota system on 1 January 2005, exports of textile products in China increased significantly in the first quarter of 2005. The sudden surge in the export sales had become a major concern to overseas textile enterprises, in particular, the US and the EU textile sectors, which pressured their governments to implement special protection policies against some of the textile products in China. A series of textile trade disputes, implementation of special protection measures and the re-imposition of quota system on the export of textile and garment products in China by EU and the US spelled uncertainties for the export markets of textile enterprises in China. PRC textile enterprises confronted a difficult and complicated market environment in the year under review until the signing of the textile agreement between the US and China governments on 8 November 2005.

市場回顧

隨著出口配額制度於二零零五年一月一日廢除，中國紡織品出口數量於二零零五年第一季大大提升。出口銷售額突然急升成為海外紡織，尤其美國及歐盟紡織業界關注的問題，彼等向其政府施壓，要求對某些中國紡織品實施特別保護政策。一連串紡織貿易糾紛，歐盟及美國對中國出口紡織品及成衣產品實施特別保護政策及重施配額制度使中國紡織企業的出口市場存在種種不明朗因素。中國紡織企業於回顧年度面對困難及複雜的市場環境，直至美國與中國政府於二零零五年十一月八日簽訂紡織品協議方有改善。

MARKET STATISTICS OF CHINA TEXTILE INDUSTRY

中國紡織工業的市場數據



Source: China National Textile Industry Council

資料來源：中國紡織工業協會

While the international trading environment proved unfavorable to the export of textile products in China in 2005, demand from domestic market in China has grown substantially as a result of the continual economic growth of China. As shown in the above table, the sales value of China textile industry in 2005 is estimated to reach RMB2,000 billion, representing a 27.2% growth as compared to 2004, which is higher than the growth of the export of China textile and apparel of 20.6%. More importantly, the persistent increase in the consumption power of residents in China contributed to the increasing demand for higher quality textile products. High value-added textile materials designed to enhance the quality and value of textile products are instrumental in satisfying the market demand for quality textile products. In addition, overseas manufacturers of branded apparel flocking to establish plants in China or outsourcing production to the PRC enterprises also helps spurring the market demand for high value-added upstream textile products. The burgeoning market environment has provided impetus for upstream textile sector.

Following the signing of the textile agreements between China and the US/EU governments in 2005, it is believed that the textile industry in China will be relatively more stable in 2006 to 2008. However, potential threats arising from trade protectionism and international trade disputes on textile and garment products are likely to continue and may impact on textile industry in China in the near future. Textile and garment enterprises with lower competitiveness will be posed with mounting challenges. Such development trend will expedite the consolidation process of the fragmented textile industry in China and create attractive merger and acquisition opportunities for larger scaled textile manufacturers with higher competitiveness.

BUSINESS REVIEW

The Group is one of the world's largest suppliers of core-spun cotton textile products, engaging in the sales of yarn, grey fabrics and garment fabrics with focuses on manufacturing high value-added core-spun yarn.

二零零五年國際貿易環境對中國紡織品出口大為不利，然而，中國本土市場的需求卻隨著中國經濟持續發展而大幅增長。如上表所示，中國紡織業於二零零五年的銷售額估計達人民幣20,000億元，較二零零四年上升27.2%，較中國紡織及服裝出口的20.6%增長為高。更重要的是，中國國民的消費能力持續增長，帶動市場對更高質素紡織品的需求不斷增長。高附加值紡織物料設計可提高紡織品的質素及價值，可滿足市場對高質素紡織產品的需求。此外，海外及品牌服裝製造商紛紛於中國設廠，或外判生產工序予中國企業，亦有助刺激市場對高附加值上游紡織品的需求，如此蓬勃的市場環境推動了上游紡織業。

隨著中國與美國/歐盟政府於二零零五年簽訂紡織協議，相信中國紡織業將於二零零六年至二零零八年漸趨穩定。然而，對紡織品及成衣產品實施貿易保護措施及由國際貿易糾紛產生的潛在威脅很可能會持續，並可能於不久將來影響中國紡織業。競爭性較低的紡織及成衣企業將面對很大的挑戰。該發展趨勢將促進中國零碎的紡織業的整合過程，並為競爭力較佳的大型紡織製造商創造合併及收購機會。

業務回顧

本集團為全球最大棉包芯紡織品供應商之一，主要銷售產品包括紗線、坯布及面料，尤其專注生產高附加值的棉包芯紗線。

The Group's "quick – response" flexible operation strategy and high quality products have further gained recognition and orders from customers in 2005 and sales have increased substantially.

二零零五年，本集團「快速反應」的靈活營運策略以及優質的產品繼續得到客戶的肯定和支持，使銷售大幅增加。

Sales Volume 產品銷售量		2005 二零零五年	2004 二零零四年	Growth 增幅
Yarn (ton)	紗線 (噸)	47,877	24,465	95.7%
Grey fabrics (million meters)	坯布 (百萬米)	86.1	80.1	7.5%
Garment fabrics (million meters)	面料 (百萬米)	15.0	9.9	51.5%

The Group's yarn and grey fabrics were sold to over 17 provinces and cities in China, including Jiangsu Province, Zhejiang Province, Guangdong Province, Shandong Province and Shanghai. While garment fabrics was exported to numerous regions such as Europe, North America, South Korea, Hong Kong, Bangladesh, etc. The Group's sales in each market recorded significant growth in 2005, in which sales revenue of China market posted a year-on-year growth of 34.1% to RMB1,718.4 million and export sales amounted to RMB197.5 million, representing a 46.8% growth from last year.

本集團生產之紗線及坯布主要銷售予中國17個省市，包括江蘇省、浙江省、廣東省、山東省及上海。面料則主要銷售予出口地區，包括歐洲、北美洲、南韓、香港、孟加拉等多個地區。二零零五年本集團於每個主要市場之銷售額均錄得顯著的增長，中國市場銷售額同比上升34.1%至人民幣1,718,400,000元，而出口市場銷售額亦較往年上升46.8%至人民幣197,500,000元。

In February 2005, the Group leased a plant with five factories in Xuzhou, Jiangsu Province from Jiangsu Yinyu Sanlian Group Limited at an annual rent of RMB3.96 million, adding 87,000 spindles and 84 shuttleless looms for the Group. The plant commenced operations in April, soon after the upgrade of production facilities. At the same time, the Group expanded the production facilities of Xuzhou Texhong Yinfeng Textile Co., Ltd. by adding 12,600 spindles for manufacturing core-spun cotton yarn, which have been put into production in March 2005. Furthermore, in March 2005, the Group commenced construction of its new plant with 100,000 spindles in Suining County, Xuzhou, Jiangsu Province. Equipping with machineries and production facilities, the new plant has gradually commenced production since December 2005.

於二零零五年二月份，本集團以年租金人民幣3,960,000元向江蘇銀宇三聯集團有限公司租賃位於江蘇省徐州一個設有五間車間的生產基地，為本集團增加87,000個紗錠及84台無梭織機。該生產基地於進行設備提升後迅速於四月份投入生產。同時，本集團亦擴張旗下徐州天虹銀豐紡織有限公司的生產設備，為生產棉包芯紗線增加12,600個紗錠，新增設備已於二零零五年三月份正式投入運作。此外，本集團於二零零五年三月在江蘇省徐州市睢寧縣動工興建配備100,000個紗錠的全新生產基地，年內積極為新廠房裝備機器及生產設施，並自二零零五年十二月逐漸開始投產。

FINANCIAL REVIEW

Turnover

The Group's turnover comprises the sales of yarn, grey fabrics and garment fabrics. Market demand for the Group's products continued to surge in 2005. In addition, the Group fulfilled more orders with its newly expanded capacity, leading to a substantial growth in turnover. Turnover by products are shown as below,

財務回顧

營業額

本集團的營業額主要來自銷售紗線、坯布及面料。二零零五年市場對本集團的產品需求甚殷，加上本集團利用擴充之產能滿足增加的訂單，因此產品營業額錄得大幅增長。下列為各種產品的營業額表現：

		2005 二零零五年 RMB'000 人民幣千元		2004 二零零四年 RMB'000 人民幣千元		change between 2005 and 2004 二零零五年 對二零零四年 之轉變
		% of total 佔總額 百分比		% of total 佔總額 百分比		
Yarn	紗線	947,947	49.6%	537,241	37.9%	76.4%
Grey fabrics	坯布	742,193	38.7%	704,653	49.8%	5.3%
Garment fabrics	面料	201,949	10.5%	137,381	9.7%	47.0%
Other textile products	其他紡織品	23,876	1.2%	36,577	2.6%	-34.7%
Total	總營業額	1,915,965	100%	1,415,852	100%	

The Group's spandex stretch textile products were well-received by the market, in which sales attributable to spandex stretch yarn were the greatest contribution to the total turnover. Furthermore, the Group further expanded its garment fabrics to more overseas and domestic customers, in which sales of garment fabrics increased by 47% as compared to 2004.

本集團的氨綸彈力產品一直受市場熱烈歡迎，氨綸彈力紗線對本集團的營業額貢獻最多。此外，本集團將其面料產品進一步擴展至更多海外及本地客戶，使面料的銷售額較二零零四年增加47%。

Gross profit and gross profit margin

As the Group has enhanced production efficiency, increased production in high value-added product and adopted centralised procurement and sales to realize economies of scale, the Group's gross profit margin further improved to 17.9% (2004: 16.2%). The Group's gross profit was also increased in line with the increase in turnover and improvement in margin, surging 49.4% to RMB342.7 million.

毛利及毛利率

全賴本集團積極提升生產效率、增加生產高附加值產品，以及透過中央採購及銷售等體現規模效益，使本集團的毛利率於二零零五年進一步提升至17.9%（二零零四年：16.2%）。本集團的毛利亦隨著營業額及邊際利潤的增加大幅攀升49.4%至人民幣342,700,000元。

Cost Structure

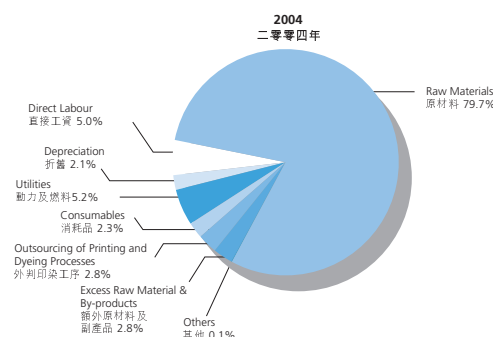
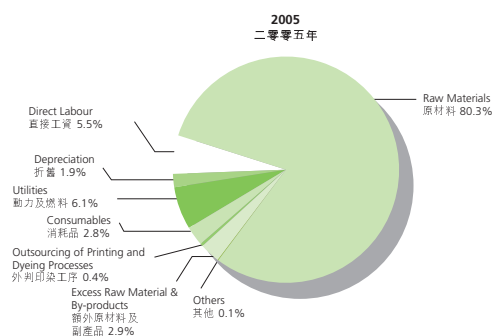
For the year ended 31 December 2005, the Group's cost of goods sold increased by 32.6% from RMB1,186.5 million for 2004 to RMB1,573.3 million as a result of the increase in sales. Set out below is a breakdown of the Group's cost of goods sold.

成本架構

截至二零零五年十二月三十一日止年度，由於本集團的銷售量大為攀升，銷售成本亦由二零零四年的人民幣1,186,500,000元上升32.6%至人民幣1,573,300,000元。以下為本集團銷售貨品成本分析。

Cost of Sales Breakdown

銷售成本分析



Selling and Marketing Costs

For the year ended 31 December 2005, the Group's selling and marketing costs amounted to RMB50.9 million, representing an increase of 70.9% as compared to previous year. Included in the selling and marketing costs for 2005, transportation costs amounted to RMB32.1 million (or 63.1% of the total selling and marketing costs), representing an increase of 69.8% as compared to RMB18.9 million for 2004. The increase in transportation costs was partly due to the general increase in transportation service charges during the year and partly due to the increase in sales to customers in distant area, such as Guangdong and Shandong provinces. In addition, staff costs, marketing and promotion expenses also increased substantially in 2005 as a result of expansion of the Group's domestic and export sales team and extra efforts on the marketing activities.

銷售及市場推廣成本

截至二零零五年十二月三十一日止年度，本集團的銷售及市場推廣成本達到人民幣50,900,000元，較去年增加70.9%。於二零零五年銷售及市場推廣成本當中，運輸成本為人民幣32,100,000元（或佔銷售及市場推廣成本總額63.1%），較二零零四年的人民幣18,900,000元增加69.8%。運輸成本上升部份是由於年內運輸服務收費普遍上漲，再加上於距離較遠地區，特別是廣東及山東省的銷售增加。此外，僱員成本、市場推廣開支及推廣開支在二零零五年亦明顯增加，這是由於本集團本土及出口銷售隊伍擴充及於市場推廣活動付出額外努力所致。

General and Administrative Expenses

The Group's general and administrative expenses amounted to RMB90.0 million for the year ended 31 December 2005, representing an increase of 86.7% as compared to RMB48.2 million for 2004. The increase was mainly due to the increase in staff costs as a result of building the Group's regional headquarter in Shanghai with well diversified talents. The Directors believe that Group has established an international standard operating platform providing core-competence for the Group's further expansion.

一般及行政開支

本集團於截至二零零五年十二月三十一日止年度的一般及行政開支為人民幣90,000,000元，與二零零四年的人民幣48,200,000元比較，上升86.7%，增幅主要是由於本集團在上海建立地區總部所招聘而引致僱員成本上升。董事相信，本集團已建立達到國際標準的營運平台，為日後進一步發展提供最核心力量。

Finance Costs

The Group's finance costs amounted to RMB19.9 million for the year ended 31 December 2005, representing an increase of RMB6.7 million as compared to RMB13.2 million for 2004. The increase in finance costs was due to the increase in overall bank borrowings for the Group's business expansion during the year.

財務費用

本集團於截至二零零五年十二月三十一日止年度的財務費用達到人民幣19,900,000元，較二零零四年的人民幣13,200,000元增加人民幣6,700,000元。財務費用增加是由於本集團於年內業務擴充而使整體銀行借款增加所致。

Cash flow

現金流量

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Net cash generated from operating activities	經營業務所得現金淨額	173,919	180,124
Net cash used in investing activities	投資業務所耗現金淨額	(259,804)	(74,105)
Net cash generated from financing activities	融資業務所得現金淨額	98,612	103,149
Cash and cash equivalents at 31 December	於十二月三十一日的 現金及現金等值物	259,972	247,245

For the year ended 31 December 2005, net cash inflow generated from operating activities amounted to RMB173.9 million. The decrease in net cash generated from operating activities was mainly due to the increase in the Group's inventory level of cotton in order to meet the production requirement of the newly constructed 100,000 spindles yarn factory in Suining Xuzhou. The net cash used in investing activities amounted to RMB259.8 million, which was mainly used for the machinery and other capital expenditures of the new yarn factory. During the year under review, the net cash generated from financing activities amounted to RMB98.6 million, representing the net increase in bank borrowings, including a 7-year term loan of US\$9 million borrowed by Xuzhou Texhong Times Textile Co., Ltd. from DEG-Deutsche Investitions-UND Entwicklungsgesellschaft MBH for the partial financing of the capital expenditure of the new yarn factory, the remaining part was mainly financed by the Group's IPO proceeds.

Liquidities and financial resources

As at 31 December 2005, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB268.8 million (as at 31 December 2004: RMB254.4 million).

As a result of business expansion in 2005, the Group's inventories and trade and bills receivables increased by RMB102.3 million and RMB30.2 million to RMB266.7 million and RMB162.2 million, respectively (as at 31 December 2004: RMB164.4 million and RMB132.0 million). The inventory turnover days and trade receivable turnover days were 50 days and 28 days respectively, compared to 46 days and 30 days in 2004.

To cater for working capital requirement as a result of the Group's business expansion in 2005, the Group's short-term bank borrowings increased by RMB50.9 million to RMB278.8 million as at 31 December 2005, as compared to RMB227.9 million as at 31 December 2004.

As at 31 December 2005, the Group's financial ratios were as follows:

截至二零零五年十二月三十一日止年度，本集團錄得經營業務所得現金淨額約人民幣173,900,000元。經營業務所得現金淨額減少主要是由於本集團增加了棉花儲備，以配合徐州睢寧新廠房的100,000個紗線的生產規模。本集團投資業務所耗現金淨額為人民幣259,800,000元，主要是用作新紗線廠房的機器設備及資本開支。於回顧年度內，本集團融資業務所得現金淨額約為人民幣98,600,000元，亦即銀行貸款增加淨額，當中包括一項為期七年之貸款9,000,000美元，該項貸款由徐州天虹時代紡織有限公司向DEG-Deutsche Investitions-UND Entwicklungsgesellschaft MBH借入，以提供新紗線廠房之部份資本開支，其餘部份則主要以本集團之首次公開發售所得款項撥付。

流動資金及財務資源

於二零零五年十二月三十一日，本集團之銀行及現金結餘（包括已抵押銀行存款）為人民幣268,800,000元（於二零零四年十二月三十一日：人民幣254,400,000元）。

隨著業務於二零零五年擴充，本集團之存貨及應收貿易及票據款項分別增加人民幣102,300,000元及人民幣30,200,000元至人民幣266,700,000元及人民幣162,200,000元（於二零零四年十二月三十一日：人民幣164,400,000元及人民幣132,000,000元）。存貨周轉日數及應收賬款周轉日數分別為50日及28日，而二零零四年則分別為46日及30日。

為應付本集團於二零零五年擴充業務所需之營運資金，本集團於二零零五年十二月三十一日之銀行貸款增加人民幣50,900,000元至人民幣278,800,000元，於二零零四年十二月三十一日則為人民幣227,900,000元。

於二零零五年十二月三十一日，本集團之財務比例如下：

		2005 二零零五年	2004 二零零四年
Current ratio	流動比率	1.33	1.49
Debt to equity ratio	負債權益比率	0.47	0.40
Net debt to equity ratio	負債淨額權益比率	0.11	0

Borrowings

As at 31 December 2005, the Group had outstanding short-term borrowings of RMB278.8 million (2004: RMB227.9 million). The short-term borrowings were raised mainly for working capital purpose and business expansion in 2005. All of the short-term borrowings were denominated in Renminbi and bearing interest at rates ranging from 5.0% to 8.0% per annum (2004: 5.0% to 8.0% per annum). The loan period ranged from 6 months to 1 year.

Of the total short-term borrowings, RMB139.9 million (2004: RMB119.4 million) was unsecured and the remaining balance was secured.

The secured assets as at 31 December 2005 were summarized below:

- Certain land use rights, buildings and machinery and equipment with an aggregated net book value of RMB158.9 million (2004: RMB154.4 million);
- Bank balance of RMB Nil (2004: RMB7.1 million);
- Bills receivable of RMB Nil (2004: RMB2 million).

In addition, as at 31 December 2005, the Group had an outstanding unsecured long term bank loan of RMB72.9 million (2004: Nil), which was denominated in US\$ and bearing interest at a LIBOR based floating interest rate.

Foreign exchange risk

The Group mainly operates in the PRC. Most of the Group's transactions, assets and liabilities are dominated in RMB. RMB is not freely convertible into other foreign currencies.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures.

Capital expenditure

For the year ended 31 December 2005, the capital expenditure of the Group amounted to RMB294.4 million (2004: RMB81.6 million), mainly for the addition of plants and machinery for the newly constructed factory in Suining, Xuzhou.

借貸

於二零零五年十二月三十一日，本集團共有尚未償還短期貸款約人民幣278,800,000元（二零零四年：人民幣227,900,000元）。短期貸款用作本集團營運資金及支付二零零五年業務拓展所需。所有短期貸款以人民幣作貨幣單位，其年利率為5.0%至8.0%（二零零四年：年利率為5.0%至8.0%）；貸款期為6個月至1年。

在短期貸款總額中，人民幣139,900,000元為無抵押貸款（二零零四年：人民幣119,400,000元），其餘為有抵押貸款。

於二零零五年十二月三十一日，抵押資產包括：

- 若干土地使用權、建築物及機器及設備，賬面淨值總額為人民幣158,900,000萬元（二零零四年：人民幣154,400,000元）；
- 人民幣零元銀行結餘（二零零四年：7,100,000元）；
- 人民幣零元應收票據（二零零四年：2,000,000元）。

此外，於二零零五年十二月三十一日，本集團未償還的無抵押長期銀行貸款為人民幣72,900,000元（二零零四：零），其以美元計值及附息（按倫敦銀行同業拆息率為基礎的浮動利率計算）。

外匯風險

本集團主要於中國營運。本集團大部份交易、資產及負債均以人民幣計值。人民幣不可自由轉換成其他外幣。

外匯風險為來自於未來海外營運中的商業貿易、已確認資產及負債及投資淨額。本集團進行定期檢討及監察其外匯風險程度以管理其外匯風險。

資本開支

截至二零零五年十二月三十一日止年度，本集團的資本開支約人民幣294,400,000元（二零零四年：人民幣81,600,000元），主要為購買生產基地及為徐州睢寧新建廠房配置機器。

Contingent liabilities

As at 31 December 2005, the Group had contingent liabilities of RMB21.9 million (as at 31 December 2004: RMB21.9 million). Such amount represented government grants obtained from the Management Committee of Taizhou Economic Development Zone in connection with the Group's purchase of a piece of land in Taizhou, Jiangsu Province, the PRC.

Human Resources

As at 31 December 2005, the Group had 10,015 full-time staff (as at 31 December 2004: 6,634). New employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organisation. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contributions of all functional divisions comprising of skilled and motivated staff.

Dividend policy

The Board intends to maintain a long term, stable dividend payout ratio, providing shareholders with a reasonable return. The Board has recommended a final dividend of HK\$0.065 per share in respect of the financial year ended 31 December 2005 to shareholders whose names appeared on the register of members on 11 May 2006. Subject to approval of the shareholders at the forthcoming Annual General Meeting, the dividend for the year represents a 33% payout of the net profit for the year.

或然負債

於二零零五年十二月三十一日，本集團的或然負債為人民幣21,900,000元（於二零零四年十二月三十一日：人民幣21,900,000元），該金額乃關於本集團購買一幅位於中國江蘇省泰州的土地而獲泰州經濟開發區管理委員會發放的政府撥款。

人力資源

於二零零五年十二月三十一日，本集團有全職員工10,015名（於二零零四年十二月三十一日：6,634名）。新聘僱員為應付本集團於年度內擴充之業務。本集團向其員工提供具競爭力的酬金計劃。此外，合資格員工亦可按其個人及本集團之表現獲授酌情花紅及購股權。本集團之成功有賴由技巧純熟且士氣高昂的員工組成各職能部門，故此本集團致力於集團內孕育學習與分享的文化，重視員工之個人培訓及發展，以及建立團隊。

股息政策

董事擬維持長遠而穩定的派息比率，務求為股東爭取合理回報。董事會建議就截至二零零五年十二月三十一日止財政年度向名列於二零零六年五月十一日股東名冊內之股東派發每股0.065港元之末期股息。待股東於即將舉行之股東週年大會上批准後，年內股息佔年內純利33%。

The Group is committed to maintaining a high level of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Group and the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the light of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which came into effect on 1 January 2005, the Board has reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this report. The Company has adopted and complied with the code provisions of the CG Code during the year ended 31 December 2005, except for certain deviations as specified with considered reasons for such deviations as explained in this corporate governance report.

THE BOARD

The Board currently comprises seven Directors and its composition is set out as follows:

Executive Directors:

Hong Tianzhu (*Chairman and Chief Executive Officer*)
Zhu Yongxiang
Tang Daoping
Gong Zhao

Independent Non-Executive Directors ("INEDs"):

Zhu Lanfen
Cheng Longdi
Ting Leung Huel, Stephen MH, FCCA, FCPA (PRACTISING), FTIHK, FHKIoD

The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 32 to 35.

The Company has three INEDs representing more than one-third of the Board. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

本集團致力於切合實際之範圍內維持高水平之企業管治，以強調高透明度、問責性及獨立性為原則。董事會相信優良之企業管治對本集團之成功及提升股東價值至為重要。

企業管治常規守則

根據已於二零零五年一月一日起生效之香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則（「企業管治守則」），董事會已審閱本公司之企業管治常規，並已採納及改進多項程序及檔案，詳情載於本報告內。除於本企業管治報告解釋之若干已闡明原因之偏離行為外，於截至二零零五年十二月三十一日止年度，本公司已採納及遵守企業管治守則之守則條文。

董事會

董事會目前由七名董事組成，其成員載列如下：

執行董事：

洪天祝（主席及行政總裁）
朱永祥
湯道平
龔照

獨立非執行董事：

朱蘭芬
程隆棟
丁良輝 MH, FCCA, FCPA (PRACTISING), FTIHK, FHKIoD

董事之履歷詳情載於第32至35頁之「董事及高級行政人員履歷」一節內。

本公司之三名獨立非執行董事佔董事會人數多於三分之一。根據上市規則第3.10條，至少一名獨立非執行董事必須具備適當之專業資格或會計或相關財務管理專業知識。董事會已接獲每名獨立非執行董事有關其獨立性之年度確認書，並認為所有獨立非執行董事均具備上市規則第3.13條所載之指引下之獨立性。

THE BOARD (Continued)

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, four Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

董事會 (續)

董事會定期召開會議，討論本集團之整體策略以及營運及財政表現，並審閱及批准本集團之全年及中期業績。於年內，已舉行四次董事會會議，各董事之出席情況如下：

		Number of Board meetings attended/held 出席／舉行董事會會議次數
Executive Directors:	執行董事：	
Hong Tianzhu (Chairman and Chief Executive Officer)	洪天祝 (主席及行政總裁)	4/4
Zhu Yongxiang	朱永祥	4/4
Tang Daoping	湯道平	4/4
Gong Zhao	龔照	4/4
Independent Non-Executive Directors ("INEDs"):	獨立非執行董事：	
Zhu Lanfen	朱蘭芬	4/4
Cheng Longdi	程隆棣	4/4
Ting Leung Huel, Stephen MH, FCCA, FCPA (PRACTISING), FTIHK, FHKIoD	丁良輝 MH, FCCA, FCPA (PRACTISING), FTIHK, FHKIoD	4/4

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the senior management under the supervision of the Board.

經董事會決定或考慮之事宜包括本集團整體策略、全年營運預算、全年及中期業績、董事委任或重新委任之建議、重大合約及交易，以及其他重大政策及財務等事宜。董事會已將日常職責委派予高級管理人員，並由董事會監督。

THE BOARD (Continued)

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct ("**the Securities Code**") regarding securities transactions by Directors and officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, one month before the date of the Board meetings to approve the Company's half-year result and annual result, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after such results have been published, and that all his dealings must be conducted in accordance with the Securities Code.

董事會 (續)

董事會會議預定為約每季及按業務需要而舉行。召開董事會會議一般會給予全體董事至少十四天之通知，以便彼等皆有機會提出商討事項列入會議議程。公司秘書協助主席編製會議議程，以及確保已遵守所有適用規則及規例。議程及隨附之董事會文件一般在舉行定期董事會會議（及就可行情況下，其他董事會會議）前三天發呈全體董事。每份董事會會議記錄之初稿於提交下一次董事會會議審批前，先供全體董事傳閱並提出意見。所有會議記錄均由公司秘書保存，並供任何董事於發出合理通知時，於任何合理時間內查閱。

每位董事有權查閱董事會文件及相關資料，及可向公司秘書尋求意見及服務。董事會及各董事亦可個別及獨立地接觸本公司之高級行政人員。董事將獲持續提供上市規則及其他適用監管規定之最新發展之資料，以確保彼等遵守及秉持優秀企業管治常規。

董事進行之證券交易

本公司已就有關董事及主要人員進行之證券交易採納一套操守守則（「**證券守則**」），條款不遜於上市規則附錄10上市公司董事進行證券交易的標準守則所載之標準守則。

證券守則之副本已於本公司每名董事首次獲委任時，及其後每年兩次（於批准本公司半年業績及全年業績而召開之董事會會議日期前一個月）送交各董事，連同之備忘錄列明，在有關業績刊發前，董事不得買賣本公司證券及衍生工具，而一切買賣均須根據證券守則進行。

DIRECTORS' SECURITIES TRANSACTIONS (Continued)

Under the Securities Code, Directors are required to notify Mr Hong Tianzhu or Mr Zhu Yongxiang or a director (otherwise than himself/herself) designated by the Board for the specific purpose ("**Designated Director**") and received a dated written acknowledgement from such Designated Director before dealing in the securities and derivatives of the Company.

During the year, the Company, having made specific enquiry on all the Directors, confirms that all its Directors have complied with the Securities Code.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Hong Tianzhu is the both chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly, approximately every three months, to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr Hong Tianzhu and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In December 2005, the Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Board shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

董事進行之證券交易 (續)

根據證券守則，董事在買賣本公司之證券及衍生工具前，須知會洪天祝先生或朱永祥先生或董事會就特定目的而指定之一名董事（「**指定董事**」）（除該董事本身外），並接獲該指定董事發出具有日期之書面確認。

年內，本公司經向全體董事作出特定查詢後，確認所有董事已一直遵守證券守則。

主席及行政總裁之角色

企業管治守則的守則條文第A.2.1條規定主席及行政總裁之角色應為獨立，不應由同一人兼任。洪天祝先生為本公司之主席兼行政總裁。董事會認為此架構不會損害權力之平衡，而董事會之運作可確保其權限，董事會由富經驗及高水平之人士組成，約每三個月進行一次定期會議，商討影響本公司運作之事宜。董事會相信，此架構對強大及持續之領導具建設性，讓本集團能及時有效作出及落實決策。董事會對洪天祝先生充滿信心，相信洪先生獲委任為主席兼行政總裁，對本公司之業務前景有利。

董事之委任及重選

於二零零五年十二月，董事會已設立並採納一套以書面列載之提名程序（「提名程序」），具體列明本公司董事候選人之挑選及推薦程序及準則。董事會應以提名程序所載之該等準則（如恰當資歷、個人專長及投放時間等）作為基礎向董事會物色及建議人選以予批准委任。

新董事在獲委任後將會取得一套入職資料文件，載有所有主要法律及上市規則規定，以及有關董事應遵守之責任及義務之指引。資料文件亦包括本公司最新公佈之財務報告及董事會採納之企業管治常規文件。高級管理人員其後將於有需要時提供說明，以為新董事提供本集團業務及活動之詳細資料。

APPOINTMENT AND RE-ELECTION OF DIRECTORS
(Continued)

Each of Messrs. Ting Leung Huel Stephen, Cheng Longdi and Zhu Lanfen has been appointed as an independent non-executive Director for an initial term of one year commencing from 21 November 2004 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company expiring at the end of the initial term or at any time thereafter. The Company has paid an annual director's fee of HK\$48,000 to each of Ms. Zhu Lanfen and Professor Cheng Longdi and HK\$144,000 to Mr. Ting Leung Huel Stephen for the year ended 31 December 2005. Save for directors' fees, none of the independent non-executive Directors has received any other remuneration for holding their office as an independent non-executive Director.

Code A.4.2 (last sentence) of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with article 108(A) of the articles of association of the Company ("Articles"), at every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office by rotation, provided that no Director holding office as Chairman or Deputy Chairman under article 132 of the Articles or the office of Managing Director or Joint Managing Director under article 122 of the Articles shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. In order to ensure full compliance with Code A.4.2, a special resolution will be proposed to amend the relevant provisions of the Articles at the forthcoming annual general meeting of the Company, so that every Director shall be subject to retirement by rotation at least once every three years. In addition, a special resolution will be proposed to amend the relevant provisions of the Articles to provide that a Director may be removed by an ordinary resolution in general meeting instead of a special resolution to reflect the requirement of paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B to the Listing Rules.

董事之委任及重選 (續)

丁良輝先生、程隆棣先生及朱蘭芬女士已獲委任為獨立非執行董事，首任年期為一年，由二零零四年十一月二十一日開始，自當時委任任期屆滿翌日起自動連任一年，惟獨立非執行董事或本公司於首任到期時或之後任何時間以不少於三個月書面通知終止委任除外。本公司已就截至二零零五年十二月三十一日止年度支付年度董事袍金48,000港元予朱蘭芬女士及程隆棣教授及144,000港元予丁良輝先生。除董事袍金外，並無任何獨立非執行董事預期可就擔任其獨立非執行董事的職位收取任何其他酬金。

企業管治守則的守則條文第A.4.2條（最後一句）指明各董事，包括該等以特別條款委任的董事，均須至少每三年輪值退任一次。根據本公司組織章程細則（「細則」）第108(A)條，在每一屆的股東周年常會上，當時的三份一董事（若董事數目並非3的倍數，則取其接近者，但不能超過三份一）應輪席退任，惟根據細則第132條出任主席或副主席或根據細則第122條出任董事總經理或聯席董事總經理之董事毋須輪值告退，而在決定退任董事人數時，亦不計算入內。為確保完全遵從守則A.4.2條，將於下一屆股東週年大會上提呈一項特別的決議案，以修訂細則有關條文，使每名董事須輪流退任，至少每3年1次。此外，將提呈特別決議案以修訂細則有關條文，使董事可於股東大會上以普通決議案，而並非特別決議案被罷免，以符合上市規則附錄3第4(3)段及附錄13B第5(1)段的規定。

BOARD COMMITTEES

The Board has established a Remuneration Committee and an Audit Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 21 to 22 in the section "The Board" above, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Company has established a Remuneration Committee, which comprises three independent non-executive directors of the Company, namely Mr Ting Leung Huel, Stephen, Ms Zhu Lanfen and Mr Cheng Longdi and the chairman of the Company, namely Mr Hong Tianzhu. The Remuneration Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

- (a) to formulate and make recommendation to the Board on the Group's staff compensation policy and structure for all remuneration of the Directors and senior management of the Group and on the establishment of a formal and transparent procedures for developing policy on such remuneration;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all Directors and senior management;
- (c) to make recommendations to the Board of the remuneration of non-executive Directors;
- (d) notwithstanding (b) above, to review and approve performance-based discretionary bonus for the Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time, and to review the performance against these corporate goals and objectives;

董事委員會

董事會已成立多個委員會，包括薪酬委員會、審核委員會及執行委員會，並以書面具體列明其職權範圍。所有委員會之會議記錄及決議案均由公司秘書保存，並提供副本予全體董事會成員傳閱，而各委員會需按其決定及建議（倘適合）向董事會匯報。董事會會議之程序及安排（於上文第21至22頁「董事會」一節提述）已按可行情況下在每次委員會會議上採納。

薪酬委員會

本公司已成立酬金委員會，該委員會由三名獨立非執行董事組成，包括丁良輝先生、朱蘭芬女士及程隆棣先生及本公司主席洪天祝先生。丁良輝先生為審核委員會主席。酬金委員會已採納符合《企業管治守則》守則條文的職權範圍。薪酬委員會獲提供充裕資源以履行其職務，並可按本公司政策在有需要時尋求獨立專業意見。

薪酬委員會之主要角色及職能如下：

- (a) 就本集團的員工薪酬政策及董事及高級管理層所有酬金的架構向董事會提出建議，並就建立該酬金發展政策的正式及具透明度的步驟提出建議；
- (b) 受委託有責任釐定所有董事及高級管理層的特定薪酬組合；
- (c) 就非執行董事的酬金向董事會作出建議；
- (d) 除上文(b)外，檢討及批准參考公司目標及董事會不時議決的目的實施按董事及高級管理層表現釐定酌情花紅，檢討此等公司目標及目的下的表現；

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

- (e) in respect of any service agreement to be entered into between any members of the Group and its director or proposed director, to review and provide recommendations to the shareholders of the Company as to whether the terms of the service agreements are fair and reasonable and whether such service agreements are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote;
- (f) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- (h) to ensure that no director or any of his associates (as defined in the Listing Rules) is included in deciding his own remuneration;
- (i) to conduct exit interviews with any Director or senior management upon their resignation in order to ascertain the reasons (from remuneration perspective) for his departure.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2005 to review and discuss the existing policy and structure for the remuneration of Directors, the remuneration packages of both the Executive and non-executive Directors and the attendance of each member is set out as follows:

Committee member	委員會成員	Number of Committee meeting attended/held 出席／舉行委員會會議之次數
Ting Leung Huel, Stephen	丁良輝	1/1
Hong Tianzhu	洪天祝	1/1
Zhu Lanfen	朱蘭芬	1/1
Cheng Longdi	程隆棣	1/1

董事委員會 (續)

薪酬委員會 (續)

- (e) 就任何本集團任何成員公司與其董事或建議董事簽訂的服務協議，檢討及向本公司股東提供意見，建議服務協議條款是否公平合理，及該服務條款是否符合本公司及整體股東的利益，並就如何投票給予股東建議；
- (f) 檢討及審核就任何離任或終止委任應付予執行董事及高級管理層的酬金；
- (g) 檢討及批准有關因行為不當而辭退或罷免董事的酬金協議；
- (h) 確保並無董事或任何並聯繫人士（定義見上市規則）參與釐定自己的薪酬；
- (i) 於任何董事或高級管理層辭職之時與其進行離職會面以確定其離職原因（以酬金的角度的）。

薪酬委員會每年須至少召開一次會議。於二零零五年已舉行一次委員會會議，以審議及討論董事之現行薪酬政策及架構，執行董事及非執行董事之薪酬待遇，而各成員之出席情況如下：

BOARD COMMITTEES (Continued)**Remuneration Committee** (Continued)

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2005. The remuneration payable to Directors will depend on their respective contractual terms under their employment or service contracts as approved by the Board on the recommendation of the Remuneration Committee.

In order to attract, retain and motivate the senior executives and key employees of the Group, including the Executive Directors, the Company has adopted a share option scheme in November 2004. Details of the share option scheme are set out in the Directors' Report on pages 40 to 44 and note 17 to the financial statements.

Audit Committee

The Audit Committee has been established since November 2004, the current members of the Audit Committee are Messrs. Ting Leung Huel, Stephen (Chairman), Zhu Lanfen and Cheng Longdi. To retain independence and objectivity, the Audit Committee has been chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee has adopted terms of reference, which are in line with the code provisions of the CG Code. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

董事委員會 (續)**薪酬委員會** (續)

除委員會會議外，薪酬委員會亦於二零零五年內透過傳閱方式處理事宜。應付董事之薪酬將視乎薪酬委員會向董事會提供之建議獲批准後，並按各自之僱傭或服務合約內之條款而釐定。

本公司已於二零零四年十一月採納一項購股權計劃以吸引、延攬及推動本集團高級行政人員及主要僱員（包括執行董事）。購股權計劃詳情載於董事會報告第40至44頁及財務報表附註17。

審核委員會

審核委員會自二零零四年十一月成立，現有成員為丁良輝先生（主席）、朱蘭芬女士及程隆楝先生。為保持獨立性及客觀性，審核委員會由一名具備合適專業資格或會計或相關財務管理專業知識之獨立非執行董事擔任主席。審核委員會已採納符合《企業管治守則》守則條文的職權範圍。審核委員會獲提供充裕資源以履行其職務，並可按本公司之政策在有需要時尋求獨立專業意見。

BOARD COMMITTEES (Continued)**Audit Committee** (Continued)

The major roles and functions of the Audit Committee are:

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, and to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board;
- (e) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) to review the Group's financial and accounting policies and practices;
- (j) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

董事委員會 (續)**審核委員會** (續)

審核委員會之主要角色及職能：

- (a) 主要負責向董事會就委任、重新委任及罷免外聘核數師提出建議，以及批准外聘核數師之薪酬及聘用條款，並處理任何有關該等核數師辭任或辭退該等核數師之問題；
- (b) 根據適用準則檢討及監察外聘核數師之獨立性及客觀性及審核程序之效率；
- (c) 研究及實施委任外聘核數師提供非審核服務的政策；
- (d) 監察本公司財務報表及的本公司年度報告及賬目、中期報告及季度報告（倘編製供刊發之用）的完整性，並審核其中的重大財務申報判斷，及於本公司的年度報告及賬目、中期報告及季度報告（倘編製供刊發之用）呈交董事會之前先行審核；
- (e) 商議就中期審閱及最終核數而產生之任何問題及保留事項，及外聘核數師擬商討之任何事宜；
- (f) 檢討本集團之財務監控、內部監控及風險管理制度；
- (g) 與管理層討論內部控制系統及確保管理層已盡其職責以達至有效內部管理系統；
- (h) 考慮董事會授予內部監控事項之主要調查之任何發現以及管理層之回應；
- (i) 審核本集團的財務及會計政策及常規；
- (j) 審核外聘核數師的管理函件、核數師就會計記錄、財務賬目或控制系統向管理層提出的任何重大提問，及管理層的回應。

BOARD COMMITTEES (Continued)**Audit Committee (Continued)**

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2005 and the attendance of each member is set out as follows:

Committee member	委員會成員	Number of Committee meetings attended/held 出席／舉行委員會會議之次數
Ting Leung Huel, Stephen	丁良輝	2/2
Zhu Lanfen	朱蘭芬	2/2
Cheng Longdi	程隆棟	2/2

During the meetings held in 2005, the Audit Committee had performed the work as summarised below:

- (i) reviewed and approved the audit scope and fees proposed by the external auditors regarding the final audit of the Group for the year ended 31 December 2004 (the "2004 Final Audit") and for the interim results review for the six months ended 30 June 2005 (the "2005 Interim Review");
- (ii) reviewed the external auditors' report of finding in relation to the 2004 Final Audit and the auditors' report on the connected transactions for the year ended 31 December 2004 where waivers had been granted by the Stock Exchange;
- (iii) reviewed the external auditors' independent review report in relation to the 2005 Interim Review;
- (iv) reviewed the financial reports for the year ended 31 December 2004 and for the six months ended 30 June 2005; and
- (v) reviewed the effectiveness of internal control system of the Group including financial, operational and compliance controls and risk management functions of the Group.

董事委員會 (續)**審核委員會 (續)**

審核委員會每年須至少召開兩次會議。於二零零五年已舉行兩次委員會會議，而各成員之出席情況如下：

Number of Committee meetings attended/held 出席／舉行委員會會議之次數
2/2
2/2
2/2

於二零零五年舉行之會議，審核委員會已履行之工作概述如下：

- (i) 檢討及批准外聘核數師建議之本集團截至二零零四年十二月三十一日止年度之年終審核（「二零零四年年終審核」）及截至二零零五年六月三十日止六個月之中期業績審閱（「二零零五年中期審閱」）之核數範圍及費用；
- (ii) 檢討外聘核數師之二零零四年年終審核結果之報告，以及對截至二零零四年十二月三十一日止年度取得聯交所授予豁免之關連交易之核數師報告；
- (iii) 檢討外聘核數師就二零零五年中期審閱之獨立審閱報告；
- (iv) 檢討截至二零零四年十二月三十一日止年度及截至二零零五年六月三十日止六個月之財務報告；及
- (v) 檢討本集團內部控制系統，包括本集團的財務、營運及遵規控制情況及風險管理功能的效率。

ACCOUNTABILITY AND AUDIT

問責及核數

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from finance department, the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2005, the requirements of the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Companies Ordinance were complied with.

The reporting responsibilities of the Company's external auditors, Messrs. PricewaterhouseCoopers, are set out in the Auditors' Report on pages 60 and 61.

External Auditors' Remuneration

During the year, the remuneration paid/payable to the Company's external auditors, Messrs. PricewaterhouseCoopers, is set out as follows:

財務匯報

於財務部之協助下，董事確認彼等編製本集團財務報表之責任。截至二零零五年十二月三十一日止年度之財務報表已按照香港會計師公會頒佈之香港財務報告準則、香港會計準則及詮釋，以及上市規則及公司條例之適用披露規定而編製。

本公司外聘核數師羅兵咸永道會計師事務所之匯報責任載於核數師報告第60及61頁。

外聘核數師之酬金

於年內，已付／應付本公司外聘核數師羅兵咸永道會計師事務所之酬金載列如下：

Services rendered for the Group	向本集團提供之服務	Fee paid/payable
		已付／應付費用 RMB'000 人民幣千元
Audit services	核數服務	3,004
Non-audit services (including agreed-upon procedures for continuing connected transactions and preliminary announcement of results)	非核數服務 (包括為持續關連交易程序及初步業績公佈所進行的協定程序)	—
Total:	合計:	<u>3,004</u>

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.

On behalf of the Board

Hong Tianzhu
Chairman

Hong Kong, 3 April 2006

與股東之溝通

董事會瞭解與股東保持良好聯繫之重要性。有關本集團之資料乃按時透過多種正式途徑向股東傳達，包括中期報告及年報、公佈及通函。

本公司股東週年大會（「股東週年大會」）乃董事會直接與股東聯繫之寶貴機會。主席於股東週年大會上積極回應任何股東之查詢。主席會就每項在股東週年大會上審議之議題提呈個別之決議案。股東週年大會通函於股東週年大會舉行至少二十一天前發送予全體股東，該通函載列每項擬提呈決議案之詳情、投票程序（包括要求以投票方式進行表決之程序）及其他相關資料。主席於股東週年大會開始時，會再次解釋要求以投票方式進行表決之程序，及（除要求以投票方式表決外）宣佈就每項決議案已接獲委任代表之贊成及反對之票數。

提升企業管治水平

提升企業管治水平並非只為應用及遵守聯交所之企業管治守則，乃為推動及建立道德與健全之企業文化為依歸。吾等將不斷檢討並按經驗、監管變動及發展，於適當時候改善現行常規。本公司歡迎股東提供任何意見及建議以提高本公司之透明度。

代表董事會

主席
洪天祝

香港，二零零六年四月三日

DIRECTORS

Executive Directors

Mr. Hong Tianzhu, 38, is an executive Director and chairman of the Group. He is the founder of the Group. He is responsible for the overall business development strategy of the Group. Mr. Hong is currently a vice chairman of the Hong Kong General Chamber of Textiles Limited. He has over 17 years of experience in the textile industry. Prior to establishing the Group, Mr. Hong was a vice general manager of 晉江藝豐服裝織造有限公司 (Jinjiang Yifeng Garment Weaving Company Limited). Mr. Hong is a director and the 100% beneficial owner of Hong Kong Tin Hong Industrial Limited (香港天虹實業有限公司 or "Hong Kong Tin Hong"), and the sole director of New Green Group Limited, which is 100% owned by Hong Kong Tin Hong. Mr. Hong is also a director of Trade Partner Investments Limited, which is owned as to 50.64% by him. Each of New Green Group Limited and Trade Partner Investments Limited was the beneficial owner of 392,400,000 and 163,500,000 shares of HK\$0.1 each in the Company as at 31 December 2005 respectively.

Mr. Zhu Yongxiang, 39, is an executive Director and chief operation officer of the Group. He is responsible for the daily operations of the Group. Mr. Zhu graduated from the 南通紡織工學院 (Nantong Textile Industry College) in 1987. Prior to joining the Group in 1997, Mr. Zhu was an assistant to the general manager of 南通第二棉紡織廠 (Nantong No. 2 Cotton Textile Factory). Mr. Zhu is the sole director and the 100% beneficial owner of Wisdom Grace Limited. Mr. Zhu is also a director of Trade Partner Investments Limited, which is owned as to 41.36% by him. Each of Trade Partner Investments Limited and Wisdom Grace Limited was the beneficial owner of 163,500,000 and 85,020,000 shares of HK\$0.1 each in the Company as at 31 December 2005 respectively.

Mr. Tang Daoping, 40, is an executive Director and vice president of the Group. He is responsible for the production, purchase and logistics functions of the Group. Mr. Tang is also a director and the chairman of Texhong Suining, Jiangsu Century Texhong, Xuzhou Century Texhong, Xuzhou Texhong Times, Nantong Century Texhong, Nantong Texhong Yin Hai and Xuzhou Texhong Yinfeng. Mr. Tang graduated from 徐州廣播電視大學 (Xuzhou Radio and TV University) in 1996 majoring in accounting. Mr. Tang has over 24 years of experience in the textile industry. He was a workshop manager of 睢寧棉紡織廠 (Suining Cotton Textile Factory) prior to joining the Group in 1998 as a vice general manager. Mr. Tang was promoted and became a director of Texhong Suining and Jiangsu Century Texhong in September 2002.

董事

執行董事

洪天祝先生，38歲，本集團的執行董事及主席。洪先生是本集團創始人，負責本集團的整體業務發展策略。洪先生是現任香港紡織商會副主席。彼於紡織業擁有逾十七年經驗，在成立本集團前，彼曾任晉江藝豐服裝織造有限公司的副總經理。洪先生為香港天虹實業有限公司（或「香港天虹」）的董事，並為該公司全資實益擁有人，亦為New Green Group Limited的唯一董事，該公司由香港天虹全資擁有。洪先生亦為Trade Partner Investments Limited的董事，並擁有該公司50.64%權益。於2005年12月31日，New Green Group Limited及Trade Partner Investments Limited分別為本公司每股面值0.1港元的392,400,000股股份及163,500,000股股份的實益擁有人。

朱永祥先生，39歲，本集團的執行董事兼營運總裁。彼負責本集團的日常營運。彼於1987年畢業於南通紡織工學院。於1997年加入本集團前，朱先生曾任南通第二棉紡織廠的總經理助理。朱先生為Wisdom Grace Limited的唯一董事，並為該公司全資實益擁有人。朱先生亦為Trade Partner Investments Limited的董事，並擁有該公司41.36%權益。於2005年12月31日，Trade Partner Investments Limited及Wisdom Grace Limited分別為本公司每股面值0.1港元的163,500,000股股份及85,020,000股股份的實益擁有人。

湯道平先生，40歲，本集團執行董事兼副總裁。彼負責本集團的生產、採購及物流事宜。湯先生亦為天虹睢寧、江蘇世紀天虹、徐州世紀天虹、徐州天虹時代、南通世紀天虹、南通天虹銀海及徐州天虹銀豐的董事兼董事長。彼於1996年畢業於徐州廣播電視大學，主修會計，並於紡織業擁有逾二十四年經驗。湯先生於1998年加入本集團前，曾於睢寧棉紡織廠出任工廠經理，並為副總經理。湯先生於2002年9月晉升為天虹睢寧及江蘇世紀天虹的董事。

Mr. Gong Zhao, 51, is an executive Director and vice president of the Group. He is responsible for the Group's product development and grey fabric sales. Mr. Gong is also a director and the chairman of Texhong Jinhua, Zhejiang Texhong and Zhejiang Century Texhong. Mr. Gong has over 25 years of experience in the textile industry. Prior to joining the Group in 1998 as a vice general manager, Mr. Gong had worked in 無錫市第四棉紡織廠 (Wuxi No. 4 Cotton Textile Factory). Mr. Gong was promoted and became a director of Texhong Jinhua in January 2001.

Independent Non-executive Directors

Ms. Zhu Lanfen, 64 studied in 華東紡織工學院 (Huadong Textile Industry School) in textile. Ms. Zhu has over 40 years of experience in the textile industry. Ms. Zhu is currently an independent director of Wuxi Qing Feng Co. Ltd., a company listed on the Shanghai Stock Exchange. Ms. Zhu is also currently the vice president of the council of 中國棉紡織行業協會 (China Cotton Textile Industry Association). She joined the Group and was appointed as an independent non-executive Director on 21 November 2004.

Professor Cheng Longdi, 46, obtained his doctorate degree in textile from Donghua University in 2002. Professor Cheng is currently a professor of 東華大學紡織工程系 (Department of Textile Engineering, Donghua University) and he is also the 紡織面料技術教育部重點實驗室常務副主任 assistant manager of the key laboratory of Textile Science and Technology, Ministry of Education). Professor Cheng is an academic committee member of the cotton textile profession committee of the China Society of Textile Engineering. Professor Cheng is also the committee member of the expert committee of China Textile Planning Institute of Construction. Professor Cheng was an engineer of the China Weaving Industry Research Centre (formally known as Textile Academy of Textile Ministry). He joined the Group and was appointed as an independent non-executive Director on 21 November 2004.

龔照先生，51歲，本集團執行董事兼副總裁。龔先生負責本集團的產品開發及坯布銷售，彼亦為天虹金華、浙江天虹及浙江世紀天虹的董事兼董事長。彼於紡織業擁有逾二十五年豐富經驗，在彼於1998年加入本集團出任副總經理前，彼曾於無錫市第四棉紡織廠工作。龔先生先於2001年1月晉升為天虹金華的董事。

獨立非執行董事

朱蘭芬女士，64歲。朱女士於華東紡織工學院修讀紡織。彼於紡織業擁有逾四十年的豐富經驗。朱女士現為無錫慶豐有限公司，一家於上海交易所上市的公司的獨立董事。彼現亦為中國棉紡織行業協會的副理事長。朱女士於2004年11月21日加入本集團，並獲委任為獨立非執行董事。

程隆棟教授，46歲。程教授於2002年取得東華大學的紡織博士學位，彼亦為東華大學紡織工程系教授及紡織面料技術教育部重點實驗室常務副主任。程教授為中國紡織工程學會棉紡專業委員會學術委員會委員，彼亦為中國紡織建設規劃院專家委員會委員。程教授為China Weaving Industry Research Centre (前稱Textile Academy of Textile Ministry)的工程師。彼於2004年11月21日加入本集團，並獲委任為獨立非執行董事。

Mr. TING Leung Huel, Stephen, MH, FCCA, FCPA (PRACTISING), FTIHK, FHKIoD, aged 52, was appointed as independent non-executive Director of the Company on 21 November 2004. Mr. Ting is an accountant in public practice and has more than 30 years' experience in this field. Currently he is the Managing Partner of Messrs Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a member of the 9th Chinese People Political & Consultative Conference, Fujian. He is now an independent non-executive director of six other listed companies in Hong Kong, namely omputer and Technologies Holdings Limited, eForce Holdings Limited, MARCO-LINK International Holdings Limited, Oriental Metals (Holdings) Company Limited, Tong Ren Tang Technologies Company Limited and Tongda Group Holdings Limited respectively. He is also a non-executive director of Chow Sang Sang Holdings International Limited, a listed company in Hong Kong. Prior to 30 September 2004, Mr. Ting was an independent non-executive director of REXCAPITAL International Holdings Limited, a listed company in Hong Kong.

SENIOR MANAGEMENT

Mr. Sha Tao, 40, a vice president of the Group. He is also a director and the chairman of Taizhou Texhong Weaving and Taizhou Century Texhong. Mr. Sha obtained his bachelor's degree in textile from 無錫輕工業學院 (Wuxi Light Industry University) in 1986. Mr. Sha has over 19 years of experience in the textile industry. Prior to joining the Group in 1998, he was a factory manager of one of the factories of 南通第二棉紡織廠 (Nantong No. 2 Cotton Textile Factory).

Mr. Hu Zhiping, 42, is a vice president of the Group and the general manager of the grey fabrics sales department of the Group. Mr. Hu graduated from 無錫職業大學 (Wuxi Professional University) in textile in 1984. Mr. Hu has over 18 years of experience in the textile industry. He was an vice general manager of 無錫協達織造有限公司 (Wuxi Xieda Weaving Company Limited) prior to joining the Group in 1998.

Mr. Yin Jianhua, 44, is a vice president of the Group and the general manager of the yarn sales department of the Group. Mr. Yin has over 22 years of experience in the textile industry. He was a vice general manager of 江蘇銀宇三聯集團 (Jiangsu Yinyu Sanlian Group) prior to joining the Group in 2002.

丁良輝先生，MH、FCCA、FCPA(PRACTISING)、FTIHK、FHKIoD，52歲，於2004年11月21日獲委任為本公司之獨立非執行董事。丁先生為執業會計師，於該行業積逾三十年經驗。彼現為丁何關陳會計師行之執行合夥人。丁先生為中國人民政治協商會議第九屆福建省委員會委員。現為其他六家香港上市公司之獨立非執行董事，分別為科聯系統集團有限公司、意科控股有限公司、新華聯國際控股有限公司、東方鑫源(集團)有限公司、北京同仁堂科技發展股份有限公司及通達集團控股有限公司。丁先生亦擔任一家香港上市公司周生生集團國際有限公司之非執行董事。於2004年9月30日前，丁先生為一家香港上市公司御泰國際控股有限公司之獨立非執行董事。

高級管理層

沙淘先生，40歲，本集團的副總裁。彼亦為泰州天虹織造及泰州世紀天虹的董事兼主席。沙先生於1986年畢業自無錫輕工業學院紡工系，並取得學士學位。沙先生於紡織業擁有逾十九年經驗。彼於1998年加入本集團前，他曾出任南通第二棉紡織廠其中一家廠房的廠長。

胡志平先生，42歲，本集團副總裁兼坯布營銷部總經理。胡先生於1984年畢業自無錫職業大學紡織系。彼於紡織業擁有逾十八年經驗。彼於1998年加入本集團前，胡先生曾出任無錫協達織造有限公司的副總經理。

尹建華先生，44歲，本集團副總裁兼紗線營銷部總經理。尹先生於紡織業擁有逾二十二年經驗。尹先生於2002年加入本集團前，他曾出任江蘇銀宇三聯集團副總經理。

Mr. Zhang Chuanmin, 36, is the assistant to the Chairman of the Group. Mr. Zhang graduated from The Central University of Finance and Economics with a bachelor's degree in Economics and Management in 1991. Mr. Zhang has over 10 years of financial management experience. He worked in 徐州市財政局外經科 (Foreign Economic Division the Financial Department of Xuzhou City) prior to joining the Group in 2001.

Ms. Lu Xiaoyan, 35, is the general manager of the import and export manager of the Group. Ms. Lu obtained a bachelor's degree in 江蘇農學院 (Jiangsu Agricultural College) majoring in soil and plant nutrition in 1993. Ms. Lu has over 11 years of experience in the textile industry. She has been honoured as the "Advance Worker" by the Nantong Economic and Trade Commission in 1996. She joined the Group in 1998.

Mr. Shu Wa Tung, Laurence, 33, is the chief financial officer and company secretary of the Group. Mr. Shu graduated from the Deakin University with a Bachelor degree of business with major in accounting. He is a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Shu has more than 10 years of experience in auditing, corporate finance, corporate advisory services and corporate finance management. Prior to joining the Company, Mr. Shu was an associate director of Goldbond Capital (Asia) Limited. Mr. Shu joined the Group in May 2005. He is the qualified accountant of the Group pursuant to Rule 3.24 of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules").

Mr. Cai Zhen, 33, is the general manager of the Group's human resources department and administrative department. Mr. Cai obtained a bachelor's degree from 解放軍理工大學 (PLA Polytechnic University) majoring in civil engineering. He has more than 10 years in human resources management and employee relationship management. Prior to joining the Group in October 2005, Mr. Cai was the human resource manager of 中化上海進出口公司 (SINOPEC Shanghai Import & Export Company).

張傳民先生·36歲·本集團董事長助理。張先生於1991年畢業自中央財政金融學院國民經濟管理專業·並獲得學士學位。彼於財政管理方面積逾十年工作經驗。彼於2001年加入本集團前·張先生曾於徐州市財政局外經科工作。

陸曉燕女士·35歲·本集團進出口部總經理。陸女士於1993年畢業自江蘇農學院·取得土地及植物營養學士學位。彼於紡織業積累逾十一年經驗。陸女士於1996年獲得南通市外經貿「先進工作者」榮譽。彼於1998年加入本集團。

舒華東先生·33歲·本集團的財務總監兼公司秘書。舒先生畢業於澳洲迪金大學 (Deakin University)·持有商學學士學位·主修會計。舒先生為香港會計師公會會員及澳洲會計師公會會員。舒先生於審計、企業融資、企業顧問服務及企業財務管理方面累積逾10年經驗。於加入本集團前·舒先生為金榜融資(亞洲)有限公司聯席董事。舒先生於2005年5月加入本集團·根據香港聯交所證券上市規則(「上市規則」)第3.24條·彼為本集團之合資格會計師。

蔡震先生·33歲·為本集團人力資源部及行政部總經理。蔡先生於解放軍理工大學取得學士學位·主修土木工程。彼於人力資源管理及僱員關係管理累積逾10年經驗。於二零零五年十月加入本集團前·蔡先生為中化上海進出口公司的人力資源經理。

EXECUTIVE DIRECTORS

Mr. Hong Tianzhu (Chairman)
Mr. Zhu Yongxiang
Mr. Tang Daoping
Mr. Gong Zhao

**INDEPENDENT NON-EXECUTIVE
DIRECTORS AND AUDIT COMMITTEE**

Mr. Ting Leung Huel, Stephen
MH FCCA FCPA (Practising) FTIHK FHKIoD
Ms. Zhu Lanfen
Professor Cheng Longdi

REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen
MH FCCA FCPA (Practising) FTIHK FHKIoD
Mr. Hong Tianzhu
Ms. Zhu Lanfen
Professor Cheng Longdi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Shu Wa Tung, Laurence

AUTHORISED REPRESENTATIVES

Mr. Hong Tianzhu
Mr. Shu Wa Tung, Laurence

HEAD OFFICE

Rooms 2532-2536
25th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

執行董事

洪天祝先生(主席)
朱永祥先生
湯道平先生
龔照先生

獨立非執行董事及審核委員會

丁良輝先生
MH FCCA FCPA (Practising) FTIHK FHKIoD
朱蘭芬女士
程隆棣教授

薪酬委員會

丁良輝先生
MH FCCA FCPA (Practising) FTIHK FHKIoD
洪天祝先生
朱蘭芬女士
程隆棣教授

公司秘書及合資格會計師

舒華東先生

授權代表

洪天祝先生
舒華東先生

總辦事處

香港
灣仔港灣道30號
新鴻基中心25樓
2532-2536室

註冊辦事處

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

PRINCIPAL BANKERS

ABN-AMRO Bank (Shanghai Branch)
Industrial and Commercial Bank of China
China Construction Bank
Bank of Communications

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR AND MEDIA RELATIONS

iPR Ogilvy Ltd.

WEBSITE

www.texhong.com

STOCK CODE

2678

主要往來銀行

荷蘭銀行有限公司(上海分行)
中國工商銀行
中國建設銀行
中國交通銀行

核數師

羅兵咸永道會計師事務所

法律顧問(香港法律)

趙不渝•馬國強律師事務所

主要股份過戶登記處

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands

香港股份過戶登記處

香港中央證券登記有限公司
香港
灣仔皇后大道東183號
合和中心17樓
1712-1716舖

投資者及傳媒關係

iPR Ogilvy Ltd.

互聯網址

www.texhong.com

股份編號

2678

The Directors of the Company submit their report together with the audited accounts of the Company for the year ended 31 December 2005.

GROUP REORGANISATION

The Company was incorporated on 12 July 2004 as an exempted company with limited liability in the Cayman Islands. On 27 July 2004, an aggregate of 1,000,000 shares ("Shares", each a "Share") of HK\$0.10 each in the share capital of the Company were allotted and issued nil paid, as to 999,999 Shares to New Green Group Limited; and as to the remaining one Share to Codan Trust Company (Cayman) Limited, which was transferred to New Green Group Limited on the same date.

In preparation for the listing of the Shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Company and its subsidiaries (the "Group") underwent reorganisation of its structure. The reorganisation involved the transfer to the Company by New Green Group Limited an aggregate of 100 shares with par value of US\$1 each, being the entire issued share capital of Texhong Textile Holdings Limited, the intermediate holding company of the Group incorporated in the British Virgin Islands on 26 May 2004, in consideration and in exchange of for which, the Company (i) allotted and issued, credited as fully paid, an aggregate of 1,000,000 new Shares, as to 200,000 Shares to New Green Group Limited and as to 500,000, 260,000 and 40,000 Shares to Trade Partner Investments Limited, Wisdom Grace Investments Limited and Flourish City Investments Limited, respectively, as directed by New Green Group Limited; and (ii) credited as fully paid at part the 1,000,000 nil-paid Shares then held by New Green Group Limited. Upon completion of the reorganisation, the Company became the holding company of the Group. Please refer to the Prospectus for details of the aforesaid reorganisation.

The Shares of the Company have been listed on the Main Board of the HKSE since 9 December 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of yarns, grey fabrics and garment fabrics. The principal activities of each of the subsidiaries of the Company are set out in note 33 to the accompanying financial statements.

No segment information is presented as the Group operates in one business and one geographical segment – manufacture and sale of yarns, grey fabrics and garment fabrics in Mainland China. No geographical analysis of assets, liabilities and capital expenditures is presented as substantially all of the Group's assets, liabilities and capital expenditures were located in Mainland China.

本公司董事提呈截至二零零五年十二月三十一日止年度之報告連同本公司經審核賬目。

集團重組

本公司於二零零四年七月十二日在開曼群島註冊成立為一間獲豁免有限公司。於二零零四年七月二十七日，於本公司股本中配發及發行合共1,000,000股每股面值0.10港元之未繳股份（「股份」為每一股「股份」），其中999,999股股份予New Green Group Limited，而餘下一股股份則予Codan Trust Company (Cayman) Limited，而該1股股份隨後已於同日轉讓予New Green Group Limited。

為籌備股份於香港聯合交易所有限公司主板上市，本公司及其附屬公司（「本集團」）進行架構重組。該重組包括New Green Group Limited將本集團之中間控股公司天虹紡織控股有限公司（於二零零四年五月二十六日在英屬處女群島註冊成立）之全部已發行股本即合共100股面值1美元之股份轉讓予本公司，以作為本公司(i)配發及發行合共1,000,000股入賬列作繳足新股份，其中200,000股股份給予New Green Group Limited以及500,000股、260,000股及40,000股股份按New Green Group Limited的指示分別給予Trade Partner Investments Limited、Wisdom Grace Investments Limited及Flourish City Investments Limited；及(ii)將New Green Group Limited當時持有之1,000,000股未繳股份部份入賬列作繳足之代價及交換條件。於重組完成後，本公司成為本集團之控股公司。有關上述重組之詳情請參閱本公司的招股章程。

本公司之股份自二零零四年十二月九日已於香港聯交所主板上市。

經營之主要活動及地區分析

本公司為一間投資控股公司。本集團主要從事生產及銷售紗線、坯布及面料。本公司各附屬公司之主要業務活動載於隨附之財務報告附註33。

由於本集團只於同一地區經營單一營業務（於中國大陸生產及銷售紗線、坯布及面料），故概無提呈任何分類資料。由於本集團全部資產、負債及資本開支均位於及來自中國，故概無按資產、負債及資本開支之地區分析提呈。

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 64 of this annual report.

The Board has recommended a final dividend of HK\$0.065 per share in respect of the financial year ended 31 December 2005 to shareholders whose names appeared on the register of members of 11 May 2006.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2005 are set out in note 18 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2005 are set out in note 6 to the accompanying financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 16 to the accompanying financial statements.

USE OF PROCEEDS

The net proceeds from the issue of the Company's new shares in December 2004 amounted to approximately RMB194.0 million. As at 31 December 2005, a total of approximately RMB177.8 million had been applied as follows:

- as to approximately RMB155.0 million for the expansion of the Group's yarn production operations;
- as to approximately RMB19.4 million for the general working capital of the Group;
- as to approximately RMB2.1 million for enhancing the Group's product development capability; and
- as to approximately RMB1.3 million for the design and installation of management information system.

The remaining balance of approximately RMB16.2 million was placed as deposits with banks in Hong Kong and the PRC, and will be used for the installation of a management information system.

業績及分派

本集團之於截至二零零五年十二月三十一日止年度業績載列於本年報第64頁之綜合損益表。

董事會已建議派付截至二零零五年十二月三十一日止財政年度之末期股息每股0.065港元予於二零零六年五月十一日名列本公司股東名冊的股東。

儲備

本集團截至二零零五年十二月三十一日止年度之儲備變動詳情載於隨附之財務報告附註18。

物業、廠房及設備

本集團截至二零零五年十二月三十一日止年度之物業、廠房及設備變動詳情載於隨附之財務報告附註6。

股本

本公司之股本變動詳情載於隨附之財務報告附註16。

集資金額用途

本公司於二零零四年十二月公開發售新股，其所得之款項淨額為約人民幣194,000,000元。於二零零五年十二月三十一日，合共約人民幣177,800,000元已撥作以下用途：

- 約人民幣155,000,000元用作擴大本集團的紗線生產業務；
- 約人民幣19,400,000元作為本集團的一般營運資金；
- 約人民幣2,100,000元用作加強本集團的產品開發能力；及
- 約人民幣1,300,000元用於設計及安裝管理資訊系統。

其餘人民幣16,200,000元則存放於香港及中國大陸境內的銀行作存款，並將用作安裝管理資訊系統。

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2005 is set out in note 18 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 1 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 21 November 2004 ("Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

可供分派儲備

本公司於截至二零零五年十二月三十一日止年度可供分派儲備詳情載列於隨附之財務報告附註18。

優先購買權

本公司組織章程及開曼群島法例並無載有優先購買權之條文，規定本公司須按比例向現有股東提呈發售新股。

財務概要

本集團於過去五個財政年度之業績及資產負債之概要載於本年報第1頁。

購買、出售或購回證券

本年內，本公司或其附屬公司概無購買、出售或購回本公司證券。

購股權

購股權計劃（「購股權計劃」）於二零零四年十一月二十一日（「採納日期」）獲本公司當時全體股東以書面決議案通過採納。

購股權計劃之目的乃讓本集團向指定參與者授予購股權，作為向此等人士對本集團作出之貢獻予以嘉獎及酬謝。所有董事、僱員、貨物或服務供應商、客戶、向本集團提供研究、發展或其他技術支援之人士或實體、本集團任何成員公司之股東、本集團之顧問或專業顧問及任何其他對本集團之發展曾作出貢獻或可透過合營企業、業務聯盟或其他業務安排作出貢獻之團體或類別之參與者均合資格參與購股權計劃。

購股權計劃自購股權計劃獲採納日期後十年內有效。

SHARE OPTIONS (Continued)

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the Listing Date ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit").

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the HKSE's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the HKSE's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

購股權 (續)

於購股權計劃及獲本集團採納之其他購股權計劃項下全部授出之購股權倘獲行使而可予配發及發行之股份總數不得超過本公司於上市日期已發行股份之10%（「一般計劃上限」）。本公司可於獲得股東批准下重訂該一般計劃上限，惟該重訂不得超過於獲股東通過之日本公司已發行股份之10%。

於購股權計劃及獲本集團採納之其他購股權計劃項下所有發行在外而尚未行使之購股權倘獲行使而可予發行股份之數目不得超過本公司不時已發行股份之30%。

除獲得本公司股東批准外，於購股權計劃及獲本公司採納之其他購股權計劃項下於十二個月內向各參與者授出之購股權（包括已行使或尚未行使者）倘獲行使而發行或可予發行之股份總數不得超過當時本公司已發行股份之1%（「個人上限」）。

參與者於授出購股權要約日期起二十一日內接納購股權。於接納授出之購股權時，須繳付1港元之象徵代價。

購股權可按照購股權計劃之條款於董事會釐定及通知各承授人之期限（期限由授出購股權要約當日之後一日開始，惟無論如何不得遲於購股權授出日期起計十年，並受購股權有關提早終止之條文限制）內隨時行使。除董事另有釐定並於向承授人發出之要約函件註明外，購股權計劃並無規定其行使前必須持有之最短時限。

根據購股權計劃，股份之認購價將由董事釐定，惟不得少於（以較高者為準）(i)授出購股權要約日期（須為營業日）在香港聯交所每日報價表上所示股份之收市價；(ii)緊接授出購股權要約日期前五個交易日在香港聯交所每日報價表上所示股份之平均收市價；及(iii)股份之面值。

SHARE OPTIONS (Continued)

As at 31 December 2005, no option was granted under the Share Option Scheme.

Another share option scheme (the “Pre-IPO Share Option Scheme”) was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 21 November 2004 for the primary purpose of recognising and rewarding the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing of the Shares on the Stock Exchange.

The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that of the Share Option Scheme;
- (ii) the General Scheme Limit, the Individual Limit and the restrictions on grant of options to a connected person do not apply;
- (iii) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally but the exercise of any option is conditional on the HKSE granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme on or before 30 days after the date of the Prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse; and
- (iv) the Directors may only grant options under the Pre-IPO Share Option at any time with a period commencing from 21 November 2004 and ending at 9:00 a.m. on the Listing Date.

As at 31 December 2005, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 4,342,000, representing approximately 0.498% of the Shares of the Company in issue at that date.

購股權 (續)

於二零零五十二月三十一日，概無根據購股權計劃授出購股權。

另一購股權計劃（「首次公開發售前購股權計劃」）於二零零四年十一月二十一日獲本公司當時全體股東書面決議案通過採納，以就若干董事、高級管理層、僱員、本集團之專業顧問或顧問對本集團之成長及發展以及協助本公司在聯交所上市所作貢獻予以確認及酬謝。

首次公開發售前購股權計劃之主要條款與購股權計劃之條款相似，惟下列條款除外：

- (i) 合資格參與者級別與購股權計劃者不同；
- (ii) 向關連人士授出購股權之一般計劃限額、個別限額及限制並不適用；
- (iii) 首次公開發售前購股權計劃之規則獲無條件採納，惟任何購股權之行使須待本公司招股章程刊發當日或三十日前根據首次公開發售前購股權計劃之授出購股權。獲行使而將予發行之股份獲批准在香港聯交所上市及買賣後方可作實，否則該等已授出購股權及首次公開發售前購股權計劃將即時失效；及
- (iv) 董事僅可自二零零四年十一月二十一日起至上市日期上午九時正止期間內隨時根據首次公開發售前購股權計劃授出購股權。

於二零零五年十二月三十一日，根據首次公開發售前購股權計劃已授出及尚未行使購股權而可予發行之股份數目為4,342,000股股份，相當於該日期本公司已發行股份之約0.498%。

SHARE OPTIONS (Continued)

購股權 (續)

Details of the outstanding share options as at 31 December 2005 which have been granted under the Pre-IPO Share Option Scheme are as follows:

於二零零五年十二月三十一日根據首次公開發售前購股權計劃授出而尚未行使之購股權之詳情如下：

Number of option shares 購股權數目						
		Outstanding at 1 January 2005 於二零零五年 一月一日 尚未行使	Exercised during the year 年內已行使	Outstanding at 31 December 2005 於二零零五年 十二月三十一日 尚未行使	Exercise price HK\$ 行使價 港元	Exercisable period (Note) 行使期限 (附註)
Date of grant 授出日期						
Mr. Zhang Chuanmin 張傳民先生	21 November 2004 二零零四年十一月二十一日	1,200,000	—	1,200,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至滿六個月當日開始
Mr. Sha Tao 沙陶先生	21 November 2004 二零零四年十一月二十一日	1,158,000	—	1,158,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至滿六個月當日開始
Mr. Hu Zhiping 胡志平先生	21 November 2004 二零零四年十一月二十一日	1,158,000	—	1,158,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至滿六個月當日開始

SHARE OPTIONS (Continued)

購股權 (續)

		Number of option shares 購股權數目				
		Outstanding at 1 January 2005 於二零零五年 一月一日 尚未行使	Exercised during the year 年內已行使	Outstanding at 31 December 2005 於二零零五年 十二月三十一日 尚未行使	Exercise price HK\$ 行使價 港元	Exercisable period (Note) 行使期限 (附註)
Mr. Yin Jianhua 尹建華先生	21 November 2004 二零零四年 十一月二十一日	826,000	—	826,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至 滿六個月當日開始
Total 總數		4,342,000	—	4,342,000		

Note: During the first one year and the first two years of the exercise period, each grantee may not exercise his option exceeding one-third and two-thirds respectively of the total number of underlying Shares in respect of the options granted to him.

附註：於行使期的首年及首兩年，每位承購人分別不得行使購股權超過其所獲授購股權之相關股份總數三分之一及三分之二。

The fair value of options determined using the Black-Scholes valuation model was RMB433,000. The significant inputs into the model were share price of HK\$0.69 per share at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, expected life of options of 0.5 years, expected dividend paid out rate of zero and annual risk-free interest rate of 2.88%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the year after the Group's IPO.

由柏力克—舒爾斯定價模式確定的購股權公平值為人民幣433,000元。該模型的主要參數為：於授出日股價每股0.69港元、上述行使價、預期股票回報標準差30%、預期購股權年期0.5年、預期股息回報率零及每年零風險利率2.88%。預期股價回報標準差的波幅乃按本集團首次公開發售後各年的每日股價統計分析計算。

DIRECTORS

The Directors during the year were:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang
Mr. Tang Daoping
Mr. Gong Zhao
Mr. Ting Leung Huel, Stephen*
Ms. Zhu Lanfen*
Mr. Cheng Longdi*

* Independent non-executive Directors

In accordance with article 180(A) of the Company's articles of association, Ms. Zhu Lanfen and Mr. Cheng Longdi will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Hong Tianzhu, Mr. Zhu Yongxiang, Mr. Tang Daoping and Mr. Gong Zhao, all being executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 21 November 2004, and will continue thereafter for successive term of one year until terminated by not less than three month's notice in writing served by either party on the other expiring at the end of the initial term or at any time thereafter.

Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi are independent non-executive directors and were appointed for an initial term of one year commencing from 21 November 2004 renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term, unless terminated by not less than three months' notice in writing at the end of the initial term or at any time thereafter.

Save as disclosed above, none of the Directors 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.

董事

年內在任之董事如下：

洪天祝先生
朱永祥先生
湯道平先生
龔照先生
丁良輝先生*
朱蘭芬女士*
程隆棣先生*

* 獨立非執行董事

根據本公司組織章程180(A)，朱蘭芬女士及程隆棣先生將輪值告退，以使其合資格於下一屆股東週年大會膺選連任。

董事之服務合約

洪天祝先生、朱永祥先生、湯道平先生及龔照先生（均為執行董事）已各自與本公司訂立服務合約，自二零零四年十一月二十一日起計，初步為期三年，其後按年續約，直至任何一方於初步年期屆滿前或其後任何時間以不少於三個月之書面通知終止合約。

丁良輝先生、朱蘭芬女士及程隆棣先生分別委任為獨立非執行董事，自二零零四年十一月二十一日起計，初步任期一年，可於現有委任期屆滿後翌日自動續約一年，直至任何一方於初步年期屆滿前或其後任何時間以不少於三個月之書面通知終止合約。

除上述披露者外，概無董事與本公司或其任何附屬公司訂立服務合同，而有關服務合同概無在未有支付法定賠償以外之賠償則不得由本集團予以終止。

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/her independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and other than in connection with the Group's reorganisation in preparation for the listing of the Shares on the Main Board of the Stock Exchange, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 27 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 27 to the accompanying financial statements.

REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the Remuneration Committee, which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" of this report.

獨立非執行董事之獨立性

本公司已獲得各獨立非執行董事確認其之獨立性，而根據上市規則第3.13條所載指引，本公司認為其各人均為獨立。

董事於合約中之權益

除本年報所述以及與為籌備股份於聯交所主板上市而進行之本集團重組外，概無任何與本集團業務有重大關係且本公司、其附屬公司、本公司控股股東或任何其附屬公司及公司董事擁有重大權益（不論直接或間接）之合約於年終或年內任何時間存在。

董事及五位最高薪之董事／僱員之酬金

有關回顧年度內根據指定基準之董事酬金詳情載於隨附之財務報告附註27。

有關回顧年度內之五位最高薪人士之詳情載於隨附之財務報告附註27。

薪酬政策

本集團參考法定架構、市場狀況及本集團及個別員工（包括董事）之表現，定期檢討其薪酬政策。薪酬委員會負責檢討本集團執行董事及高級管理層成員之薪酬政策及薪酬組合，詳情載於本報告「企業管治報告」一節「薪酬委員會」一段內。

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 27 to the accompanying financial statements.

退休福利計劃

本集團退休福利計劃之詳情載於隨附之財務報告附註27。

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management as at the date of this annual report are set out on pages 32 to 35 of this annual report.

董事及高級管理層之履歷

董事及高級管理層於本年報日期之履歷簡介載於本年報第32至第35頁。

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2005, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

董事及行政總裁持有之本公司或任何相聯法團之股份及相關股份及債權證之權益及淡倉

於二零零五年十二月三十一日，本公司董事及行政總裁於本公司及其相聯法團（定義見香港法例第571章證券及期貨條例第十五部（「證券及期貨條例」））股份、相關股份及債權證中擁有根據證券及期貨條例第352條，紀錄於本公司須予存置之登記冊內之權益或淡倉，或根據證券及期貨條例第十五部第7及第8分部須通知本公司及香港聯交所之權益或淡倉（包括根據證券及期貨條例的該等條文，彼被當作或視作擁有的權益或淡倉）及根據上市規則所載上市公司董事進行證券交易標準守則規定須通知本公司及香港聯交所之權益及淡倉如下：

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

董事及行政總裁持有之本公司或任何相聯法團之股份及相關股份及債權證之權益及淡倉 (續)

Name of directors of the Company 本公司董事姓名	Name of Group member/ associated corporation 本集團成員公司/ 聯營法團名稱	Number of Shares held 持有股份數目		
		Nature of interest 權益性質	Number of shares 股份數目	Percentage 百分比
Mr. Hong Tianzhu 洪天祝先生	the Company 本公司	Interest of controlled corporation(s) 所控制法人的權益	555,900,000 (L)	63.75%
Mr. Zhu Yongxiang 朱永祥先生	the Company 本公司	Interest of controlled corporation(s) 所控制法人的權益	248,520,000 (L)	28.50%

Notes:

附註:

- | | |
|--|---|
| <p>1. The letter "L" denotes the person's long position in the Shares.</p> | <p>1. 「L」代表該人士於股份之好倉。</p> |
| <p>2. Among these 555,900,000 Shares, as to 392,400,000 Shares are registered in the name of and beneficially owned by New Green Group Limited, the entire issued share capital of which is beneficially owned by Hong Kong Tin Hong Industrial Limited, a company 100% owned by Mr. Hong Tianzhu and as to 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 50.64% by Mr. Hong Tianzhu. Under the SFO, Mr. Hong Tianzhu is deemed to be interested in all the Shares held by New Green Group Limited and Trade Partner Investments Limited.</p> | <p>2. 該555,900,000股股份中392,400,000股以New Green Group Limited (New Green Group Limited全部已發行股本由香港天虹實業有限公司實益擁有，洪天祝先生實益擁有該公司100%權益) 名義及作為實益擁有人登記；163,500,000股以Trade Partner Investments Limited (洪天祝先生實益擁有全部已發行股份的50.64%權益) 名義及作為實益擁有人登記。根據證券及期貨條例，洪天祝先生被視為於New Green Group Limited及Trade Partner Investments Limited持有之所有股份佔有權益。</p> |
| <p>3. Among these 248,520,000 Shares, as to 85,020,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang and as to 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 41.36% by Mr. Zhu Yongxiang. Under the SFO, Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Wisdom Grace Investments Limited and Trade Partner Investments Limited.</p> | <p>3. 該248,520,000股股份中85,020,000股以Wisdom Grace Investments Limited (其全部已發行股本由朱永祥先生實益擁有) 名義及作為實益擁有人登記。163,500,000股以Trade Partner Investments Limited (朱永祥先生實益擁有全部已發行股份的41.36%權益) 名義及作為實益擁有人登記。根據證券及期貨條例，朱永祥先生被視為於Wisdom Grace Investments Limited及Trade Partner Investments Limited持有之所有股份佔有權益。</p> |

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

主要股東持有之本公司股份及相關股份及債權證之權益及淡倉

So far as the Directors are aware, as at 31 December 2005, the interests or short position of the persons other than a Director or chief executive of the Company in the Shares or underlying shares or debenture of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

就董事所知悉，於二零零五年十二月三十一日，於本公司股份或相關股份或債權證中擁有根據證券及期貨條例第336節紀錄於本公司須予存置之登記冊內之權益或淡倉的人士（惟本公司之一名董事或主要行政人員除外）如下：

Ordinary Shares of the Company:

本公司之普通股：

Name of the substantial shareholder 本公司主要股東	Number of Shares held 持有股份數目		Percentage 百分比
	Nature of interests 權益性質	Number of shares 股份數目	
New Green Group Limited	Beneficial owner 實益擁有人	392,400,000 (L) (Note 2) (附註2)	45%
Trade Partner Investments Limited	Beneficial owner 實益擁有人	163,500,000 (L) (Note 3) (附註3)	18.75%
Wisdom Grace Investments Limited	Beneficial owner 實益擁有人	85,020,000 (L) (Note 4) (附註4)	9.75%
Hong Kong Tin Hong Industrial Limited 香港天虹實業有限公司	Interest of controlled corporation(s) 所控制法人的權益	392,400,000 (L) (Note 2) (附註2)	45%
Ms. KE Luping 柯綠萍女士	Interest of spouse 配偶權益	555,900,000 (L) (Notes 5) (附註5)	63.75%
Ms. ZHAO Ziyang 趙志揚女士	Interest of spouse 配偶權益	248,520,000 (L) (Note 6) (附註6)	28.50%

Notes:

附註：

- The letter "L" denotes the person's long position in the Shares.
- These 392,400,000 Shares are registered in the name of and beneficially owned by New Green Group Limited, the entire issued share capital of which is beneficially owned by Hong Kong Tin Hong Industrial Limited, a company 100% beneficially owned by Mr. Hong Tianzhu. Under the SFO, each of Hong Kong Tin Hong Industrial Limited and Mr. Hong Tianzhu is deemed to be interested in all the Shares held by New Green Group Limited.

- 「L」代表該人士於股份之好倉。
- 該392,400,000股股份以New Green Group Limited (New Green Group Limited全部已發行股本由香港天虹實業有限公司實益擁有，洪天祝先生實益擁有後者100%權益) 名義及作為實益擁有人登記。根據證券及期貨條例，香港天虹實業有限公司及洪天祝先生均被視為於New Green Group Limited持有之所有股份佔有權益。

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (Continued)

Notes:

3. These 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 50.64% by Mr. Hong Tianzhu, 41.36% by Mr. Zhu Yongxiang, 2.24%, 1.68%, 1.68%, 0.36% and 0.36% by Mr. Sha Tao, Mr. Tang Daoping, Mr. Gong Zhao, Mr. Hu Ziping, Mr. Yin Jianhua and Mr. Zhang Chuanmin. Under the SFO, each of Mr. Hong Tianzhu and Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Trade Partner Investments Limited.
4. These 85,020,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang. Under the SFO, Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Wisdom Grace Investments Limited.
5. Ms. Ke Luping is the spouse of Mr. Hong Tianzhu. Under the SFO, Ms. Ke Luping is taken to be interested in the same number of Shares in which Mr. Hong Tianzhu are interested.
6. Ms. Zhao Ziyang is the spouse of Mr. Zhu Yongxiang. Under the SFO, Ms. Ke Luping is taken to be interested in the same number of Shares in which Mr. Zhu Yongxiang are interested.

主要股東持有之本公司股份及相關股份及債權證之權益及淡倉 (續)

附註:

3. 該163,500,000股股份以Trade Partner Investments Limited (其全部已發行股本由洪天祝先生、朱永祥先生、沙陶先生、湯道平先生、龔照先生、胡志平先生、尹建華先生及張傳民先生分別實益擁有50.64%、41.36%、2.24%、1.68%、1.68%、1.68%、0.36%、0.36%)名義及作為實益擁有人登記。根據證券及期貨條例，洪天祝先生及朱永祥先生分別被視為於Trade Partner Investments Limited持有之所有股份佔有權益。
4. 該85,020,000股股份以Wisdom Grace Investments Limited (其全部已發行股本由朱永祥先生實益擁有)名義及作為實益擁有人登記。根據證券及期貨條例，朱永祥先生被視為於Wisdom Grace Investments Limited持有之所有股份佔有權益。
5. 柯綠萍女士為洪天祝先生之配偶。根據證券及期貨條例，柯綠萍女士被視為於洪天祝先生佔有權益同樣數目之股份佔有權益。
6. 趙志揚女士為朱永祥先生之配偶。根據證券及期貨條例，趙志揚女士被視為於朱永祥先生佔有權益同樣數目之股份佔有權益。

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Options" above, at no time during the 12 months ended 31 December 2005 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

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 subsisted during the year under review.

購買股份或債權證之安排

除上述「購股權」一節披露者外，截至二零零五年十二月三十一日止十二個月內，本公司、其控股公司或其附屬公司概無安排董事（包括其配偶或未滿十八歲之子女）以透過收購本公司或任何其他法人團體之股份或債權證之方法獲得利益。

管理層合約

於回顧年度內，概無訂立或存在任何與本公司整體或重要業務有關之管理及行政工作合約。

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10%
– five largest suppliers combined	26%
Sales	
– the largest customer	3%
– five largest customers combined	11%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Hong Kong Tin Hong Industrial Limited is a private company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Hong Tianzhu, an executive Director. Hong Kong Tin Hong Industrial Limited has interest in the following textile related business (the "Excluded Businesses") which do not form part of the Group and are either complementary to or likely to compete, directly or indirectly, with the Group's business in China. Details of the Excluded Businesses are as follows:

(a) Tianhong Printing and Dyeing (Wuxi) Co., Ltd. ("Tianhong Printing and Dyeing")

Tianhong Printing and Dyeing is a wholly foreign-owned enterprise incorporated in China, the entire equity interest of which is owned by Hong Kong Tin Hong Industrial Limited. Tianhong Printing and Dyeing is principally engaged in the provision of printing and dyeing services and sale of garment fabrics to garment manufacturers and trading agents. Tianhong Printing and Dyeing sells its products mainly in Jiangsu Province and Shanghai Municipality of China. The management team of the Group is basically independent from the management team of Tianhong Printing and Dyeing.

主要客戶及供應商

於年度內來自本集團主要供應商及客戶之採購及銷售之百分比如下：

採購	
– 最大供應商	10%
– 五大供應商合計	26%
銷售	
– 最大客戶	3%
– 五大客戶合計	11%

概無董事、其聯繫人士或任何股東（就董事知悉於本公司股本中擁有5%以上權益者）於上述之主要供應商及客戶中擁有權益。

董事於競爭業務之權益

香港天虹實業有限公司為一家於香港註冊成立之私人有限公司，由執行董事洪天祝先生全資擁有。香港天虹實業有限公司於若干紡織相關業務之權益並非本集團業務之一部份（「除外業務」），且並無亦不太可能會與本公司於中國之業務直接或間接構成競爭。除外業務之詳情如下：

(a) 天虹印染（無錫）有限公司（「天虹印染」）

天虹印染為一家在中國註冊成立之外資企業，其全部股本權益由香港天虹實業有限公司獨資擁有。天虹印染主要從事提供布料之印染業務，並向成衣製造商及買賣代理出售面料。天虹印染於江蘇省及上海直轄市出售其產品。本集團之管理團隊基本上與天虹印染之管理團隊分別獨立運作。

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

董事於競爭業務之權益 (續)

(b) Nantong Textile Group Co., Ltd. ("Nantong Textile")

Nantong Textile is owned as to 39% by Hong Kong Tin Hong Industrial Limited. Nantong Textile is principally engaged in printing, dyeing of fabrics and selling of garment fabrics. Garment fabrics produced by Nantong Textile mainly include dyed and printed cotton fabrics, linen cotton blended fabrics and polyester cotton blended fabrics. Hong Kong Tin Hong Industrial Limited has no shareholding or management control over Nantong Textile.

The Group's principal business is the production and sale of yarn and grey fabrics. It is not engaged in printing and dyeing work and does not maintain any printing and dyeing facilities. The Directors are of the view that both Tianhong Printing and Dyeing and Nantong Textile do not pose any competition to the Group as the principal businesses of Tianhong Printing and Dyeing and Nantong Textile are principally different from the principal business of the Group. The relationship between the Group and each of Tianhong Printing and Dyeing and Nantong Textile is customer and supplier. The Group has to subcontract the printing and dyeing work to produce garment fabrics.

Although the Group's business of the sale of garment fabric may compete with that of Tianhong Printing and Dyeing and Nantong Textile, as garment fabric is not a principal product of the Group and a majority of the Group's garment fabric products are sold to overseas customers while Tianhong Printing and Dyeing and Nantong Textile mainly sell their garment fabric products to PRC customers, the directors of the Company are of the opinion that such potential competition does not impact on the financial position and operations of the Group.

The Group has over 20 other printing and dyeing service providers. The Directors believe the Group does not have to rely on Tianhong Printing and Dyeing and/or Nantong Textile to carry on its business given that the sales of grey fabrics by the Group to Tianhong Printing and Dyeing and Nantong Textile as a percentage of the Group's total turnover for the year under review were only about 0.5% and 0.0% respectively and purchases from Tianhong Printing and Dyeing and Nantong Textile as a percentage of the Group's total sales of garment fabrics for the year under review were only about 4.7% and 0.6% respectively.

(b) 南通紡織控股集團紡織染有限公司 (「南通紡織」)

南通紡織由香港天虹實業有限公司擁有39%。主要從事布料之印刷及染色，以及銷售面料之業務。南通紡織所生產之面料主要包括經印刷及染色之全綿、麻棉及滌棉。香港天虹實業有限公司對南通紡織並無控制股權或管理控制。

本集團主要從事製造及銷售紗線及坯布之業務，但並無從事印染業務，故無印染設施。董事認為，因為天虹印染及南通紡織之主要業務與本集團之主要業務大為不同，天虹印染對本集團並無產生任何競爭。本集團分別與天虹印染及南通紡織之關係是客戶與供應商之關係。本集團將印染工序分包以生產面料。

雖然本集團出售面料之業務或與天虹印染及南通紡織之業務可能構成競爭，惟面料並非本集團之主要產品，本集團大部份之面料產品乃出售予海外客戶，而天虹印染及南通紡織則主要出售予中國客戶，因此，本公司董事認為該等潛在競爭並不會影響本集團之財務狀況及營運。

本集團有逾20位其他印染服務供應商，董事相信，本集團業務無須依賴天虹印染及／或南通紡織，因為於回顧年度，本集團向天虹印染及南通紡織銷售的坯布只佔本集團總營業額分別約0.5%及0.0%，本集團向天虹印染及南通紡織之採購分別佔本集團總銷售面料之4.7%及0.6%。

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

Nevertheless, in order to further delineate the respective businesses between the Group and Tianhong Printing and Dyeing and Nantong Textile and to protect the Group from any possible direct and indirect competition from Tianhong Printing and Dyeing and Nantong Textile in respect of the Group's core business of manufacture and sale of yarn and grey fabrics and the export sale of garment fabrics. Mr. Hong Tianzhu has given an irrevocable and unconditional non-compete undertaking in favour of the Company that he will not, and will procure, to the extent within his voting powers in the relevant associate, his associates, not:

- (i) to engage in the business of the manufacture and sale of yarns and grey fabrics and the business of export sales of garment fabrics;
- (ii) to solicit any existing employees of the Group for employment by him or his associates (excluding the Group);
- (iii) to make use of any information pertaining to the business of the Group which may have come to the knowledge in his capacity as the controlling shareholder of the Group or, as the case may be, as a Director for the purpose of competing with the business of the Group.

The non-compete undertaking has taken effect from the Listing Date (being the date on which shares of the Company were listed on the Main Board of the Stock Exchange i.e. 9 December 2004) and shall expire on the earlier of (i) the date on which Mr. Hong Tianzhu and his associates cease to hold in aggregate, 30% or more of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange.

CONNECTED TRANSACTIONS

During the year under review, the following continuing connected transactions (the "Transactions") have been entered into by the Group to which the Stock Exchange has granted waivers to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) Sales of the Group's grey fabrics to Tianhong Printing and Dyeing

Tianhong Printing and Dyeing is a company 100% owned by Hong Kong Tin Hong Industrial Limited, a controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director.

董事於競爭業務之權益 (續)

然而，為進一步記述本集團分別與天虹印染及南通紡織各自之間之業務，以及保障本集團以免其製造及銷售紗線及坯布及出口面料等核心業務與天虹印染及南通紡織有任何直接或間接之競爭，洪天祝先生以本公司為受益人作出不可撤回及無條件不競爭承諾其將不會，並將其於有關的聯繫公司的投票權促使其聯繫公司不會：

- (i) 從事紗線及坯布製造及銷售業務及面料出口業務；
- (ii) 誘使本集團任何現有僱員為其或其聯繫公司（不包括本集團）僱用；
- (iii) 利用因其作為本集團控股股東或（視乎情況而定）本公司的董事的身份而得悉有關本集團業務的任何資訊，以達至與本集團業務競爭的目的。

不競爭承諾已由上市日期（即本公司股份於聯交所主板上市當日，亦即二零零四年十二月九日）起生效，並於下述最早發生者時期滿：(i) 洪天祝先生與其聯繫公司不再持有本公司已發行股本30%或以上；或(ii) 股份不再於聯交所上市。

關連交易

於回顧年度，下列有關本集團訂立之持續關連交易（「該等交易」）獲聯交所豁免（惟須受若干條件（「條件」）限制）嚴格遵守根據上市規則14A章須予公佈及／或獲得股東批准之規定：

(a) 向天虹印染銷售本集團坯布

天虹印染由本公司控股股東香港天虹實業有限公司（其全部已發行股本由本公司執行董事洪天祝先生擁有）擁有100%權益。

CONNECTED TRANSACTIONS (Continued)

關連交易 (續)

(a) Sales of the Group's grey fabrics to Tianhong Printing and Dyeing (Continued)

Pursuant to an agreement (the "Tianhong Sale Agreement") dated 21 November 2004 and entered into between the Group as vendor and Tianhong Printing and Dyeing as purchaser, Tianhong Printing and Dyeing agreed to purchase grey fabrics from the Group at market prices and on such terms of sales based principally on the standard terms of sales of the Group from time to time and such other terms as are no more favourable as those applicable to the sales of comparable grey fabrics to independent third parties. The Tianhong Sale Agreement has a term expiring on 31 December 2006 unless terminated earlier by three month's written notice by either party.

During the year under review, the Group had sold from time to time its grey fabrics to Tianhong Printing and Dyeing on normal commercial terms and were no more favourable than those available to independent third party purchasers. The aggregate sales of the Group's grey fabrics to Tianhong Printing and Dyeing amounted to approximately RMB10.2 million, it did not exceed the annual monetary cap of RMB24.4 million for year 2005.

(b) Purchases of garment fabrics by the Group from Tianhong Printing and Dyeing

Pursuant to an agreement (the "Tianhong Purchase Agreement") dated 21 November 2004 and entered into between the Group as purchaser and Tianhong Printing and Dyeing as vendor, Tianhong Printing and Dyeing agreed to sell garment fabrics to the Group at market prices and on such terms of sales based principally on its standard terms of sales from time to time and such other terms as are no less favourable to the Group as those applicable to the sales of comparable garment fabrics to independent third parties. The Tianhong Purchase Agreement has a term expiring on 31 December 2006 unless terminated earlier by three month's written notice by either party.

During the year under review, the Group had purchased garment fabrics from Tianhong Printing and Dyeing from time to time and on normal commercial terms and were no less favourable than those available to independent third party purchasers. The aggregate purchases of garment fabrics by the Group from Tianhong Printing and Dyeing amounted to approximately RMB9.4 million, it did not exceed the annual monetary cap of RMB25.0 million for year 2005.

(a) 向天虹印染銷售本集團坯布 (續)

根據本集團(作為賣方)與天虹印染(作為買方)於二零零四年十一月二十一日訂立之協議(「天虹銷售協議」),天虹印染同意以市價向本集團購買坯布,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可優於適用於向獨立第三方銷售可供比較之坯布之條款。天虹銷售協議之年期已於二零零六年十二月三十一日屆滿,惟任何一方以三個月通知提早終止協議則除外。

於回顧年度,本集團之坯布以正常商業條款不時銷售予天虹印染,而條款並不優於向獨立第三方買家提供之條款。本集團於二零零五年度予天虹印染之坯布總銷售額約達人民幣10,200,000元,並不超出人民幣24,400,000元年度金額上限。

(b) 本集團向天虹印染採購面料

根據本集團(作為買方)與天虹印染(作為賣方)於二零零四年十一月二十一日訂立之協議(「天虹採購協議」),天虹印染同意以市價向本集團銷售面料,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可遜於適用於向獨立第三方銷售可供比較之面料之條款。天虹採購協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團以一般商業條款不時向天虹印染採購面料,而條款並不遜於向獨立第三方買家提供之條款。本集團於二零零五年度向天虹印染採購之面料總額約達人民幣9,400,000元,並不超出人民幣25,000,000元年度金額上限。

CONNECTED TRANSACTIONS (Continued)**關連交易 (續)****(c) Sales of Group's grey fabrics to Nantong Textile**

Nantong Textile is owned as to 39% by Hong Kong Tin Hong Industrial Limited, a controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director.

Pursuant to an agreement (the "Nantong Sale Agreement") dated 21 November 2004 and entered into between the Group as vendor and Nantong Textile as purchaser, Nantong Textile agreed to purchase grey fabrics from the Group at market prices and on such terms of sales based principally on the standard terms of sales of the Group from time to time and such other terms as are no more favourable as those applicable to the sales of comparable grey fabrics to independent third parties. The Nantong Sale Agreement, has a term expiring on 31 December 2006 unless terminated earlier by three months' written notice by either party.

During the year under review, the Group had sold from time to time its grey fabrics to Nantong Textile on normal commercial terms and were no more favourable than those available to independent third party purchasers. The aggregate sales of the Group's grey fabrics to Nantong Textile amounted to approximately RMB71,000, it did not exceed the annual monetary caps of RMB4.4 million for the year 2005.

(d) Purchases of garment fabrics by the Group from Nantong Textile

Pursuant to an agreement (the "Nantong Purchase Agreement") dated 21 November 2004 and entered into between the Group as purchaser and Nantong Textile as vendor, Nantong Textile agreed to sell garment fabrics to the Group at market prices and on such terms of sales based principally on its standard terms of sales from time to time and such other terms as are no less favourable to the Group as those applicable to the sales of comparable garment fabrics to independent third parties. The Nantong Purchase Agreement has a term expiring on 31 December 2006 unless terminated earlier by three months' written notice by either party.

During the year under review, the Group had purchased garment fabrics from Nantong Textile from time to time and on normal commercial terms and were no less favourable than those available to independent third party purchasers. The aggregate purchases of garment fabrics by the Group from Nantong Textile amounted to approximately RMB1.1 million, it has not exceed the annual monetary cap of RMB1.3 million for year 2005.

(c) 向南通紡織銷售本集團坯布

南通紡織由本公司控股股東香港天虹實業有限公司(其全部已發行股本由執行董事洪天祝先生擁有)擁有39%權益。

根據本集團(作為賣方)與南通紡織(作為買方)於二零零四年十一月二十一日訂立之協議(「南通銷售協議」),南通紡織同意以市價向本集團購買坯布,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可優於適用於向獨立第三方銷售可供比較之坯布之條款。南通銷售協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團以正常商業條款不時銷售予南通紡織,而條款並不優於向獨立第三方買家提供之條款。本集團於二零零五年度予南通紡織之坯布總銷售額約達人民幣71,000元,並不出人民幣4,400,000元年度金額上限。

(d) 本集團向南通紡織採購面料

根據本集團(作為買方)與南通紡織(作為賣方)於二零零四年十一月二十一日訂立之協議(「南通採購協議」),南通紡織同意以市價向本集團銷售面料,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可遜於適用於向獨立第三方銷售可供比較之面料之條款。南通採購協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團已不時按一般商業條款及不遜於給予第三方購買者的條款向南通紡織採購成衣纖維。本集團向南通紡織採購成衣纖維總額約為人民幣1,100,000元,並不出二零零五年的年度金額上限人民幣1,300,000元。

CONNECTED TRANSACTIONS (Continued)

During the year under review, the Group had subcontracted Tianhong Printing and Dyeing to provide its printing and dyeing services on normal commercial terms from time to time and the aggregate annual processing fees paid by the Group to Tianhong Printing and Dyeing was approximately RMB150,000. As these transactions are on normal commercial terms where each of the percentage ratios (other than the profits ratio as set out in Rule 14.07 of the Listing Rules) is more than 0.1% but less than 2.5% and the total consideration was less than HK\$1,000,000, such transactions were exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors had reviewed the Transactions and confirmed that the Transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors confirm that the disclosure requirements in accordance with Chapter 14A of the Listing Rules has been complied with by the Company.

The related party transactions disclosed in the note 32 of the Company's financial statements, save for the transactions in between Nantong Shuanghong and the Group as refer to therein, all the other related party transactions fall under the scope of "continuing connected transaction", in Chapter 14A of the Listing Rules.

關連交易 (續)

於回顧年度，本公司按一般商業條款不時分包天虹印染提供印染服務，而本集團本年支付予天虹印染的加工費用約為人民幣150,000元。由於有關交易按一般商業條款訂立，每項交易的百分比比率（不包括上市規則第14.07條所載的百分比比率）高於0.1%，但不足2.5%，而總代價少於1,000,000港元，有關交易豁免遵守上市規則第14A章以公佈申報及獲取獨立股東批准的規定。

獨立非執行董事已審閱該等交易，並確認該等交易：

- (i) 為本集團正常及日常業務過程中訂立；
- (ii) 按一般商業條款訂立，或如缺乏可資比較交易以評估該等交易是否按一般商業條款訂立，則訂立條款並不遜於本集團提供獨立第三方或獨立第三方提供本集團（如適合）的條款；及
- (iii) 按照規範該等交易的有關協議，條款為公平合理，並且合乎本公司股東的整體利益。

董事確認，本公司已經遵守上市規則第14A章的披露規定。

關聯方交易已於本公司財務報告附註32披露，除附註32所披露本集團與南通雙虹之間交易外，所有其他方關聯方交易均屬於上市規則第14A章「持續關連交易」範圍之內。

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Securities Code on terms no less exacting than the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules. During the year under review, the Company, having made specific enquiry on all the directors of the Company, confirms that all its directors have complied with the Securities Code.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The audit committee has adopted terms of reference which are in line with the code provisions of the CG Code. The audit committee is responsible to review and supervise the Group's financial reporting process and internal control system and provide advice and suggestions to the board of directors of the Company.

The audit committee had reviewed the audited results of the Group for the financial year ended 31 December 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee, which comprises three independent non-executive directors of the Company, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi and the chairman of the Company, namely, Mr. Hong Tianzhu. The remuneration committee has adopted terms of reference which are in line with the code provisions of the CG Code. The remuneration committee is responsible to formulate and make recommendation to the Board on the Group's policy and structure for all remuneration of the directors and senior management of the Group and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

遵守上市規則之標準守則

本公司採納條款不寬於上市規則附錄十所載之上市公司董事進行證券交易的標準守則的證券守則。於回顧年度內，經特別就董事作出查詢後，本公司確認，各董事均已遵守證券守則。

公眾持股量

根據本公司獲得之公開資料及據董事所知，於本年報刊發日期，本公司已發行股份之指定公眾持股量符合上市規則。

審核委員會

本公司已成立審核委員會，該委員會由三名獨立非執行董事組成，包括丁良輝先生、朱蘭芬女士及程隆棣先生，丁良輝先生為審核委員會主席。審核委員會所採納的職權範圍符合企業管治守則的守則條文。審核委員會負責審閱及監督本集團之財務匯報過程及內部監控制度，並向本公司董事會提供意見及推薦建議。

審核委員會已審閱本集團截至二零零五年十二月三十一日止財政年度之經審核業績。

薪酬委員會

本公司已成立薪酬委員會，該委員會由三名獨立非執行董事，包括丁良輝先生、朱蘭芬女士及程隆棣先生，加上本公司主席洪天祝先生組成。薪酬委員會所採納的職權範圍符合企業管治守則的守則條文。薪酬委員會負責制訂有關本集團董事及高級管理層全體酬金之政策及結構，並就薪酬發展政策建立正式及高透明度之程序並向董事會作出建議。

LITIGATION

On 5 March 2004, Jiangsu Century Texhong Textile Co., Ltd. ("Jiangsu Century"), an indirect wholly-owned subsidiary of the Company, and a US cotton supplier (the "Applicant") entered into two sale and purchase agreements (the "Relevant Contracts") for the purchase of an aggregate of 1,000 tonnes of cotton by Jiangsu Century from the Applicant.

In or about July 2004, the Applicant commenced an arbitration proceedings by making an application to China International Economic and Trade Arbitration Commission, Shanghai Commission (the "CIETAC") arising from disputes over the Relevant Contracts. It was alleged by the Applicant that Jiangsu Century failed to issue the letters of credit pursuant to the terms of the Relevant Contracts, and claimed from Jiangsu Century for (i) US\$762,908.76, being the economical loss incurred; (ii) US\$70,000, being the legal fees payable by Applicants for the arbitration; and (iii) the arbitration fees and all other expenses incurred by the Applicant in relation to the arbitration.

Jiangsu Century refused to issue the letters of credit pursuant to the terms of the Relevant Contracts due to the quality and the quantity of cotton delivered by the Applicant in the previous dealings failed to comply with the specifications of Jiangsu Century. In this regard, Jiangsu Century commenced an arbitration proceedings against the Applicant in November 2004 claiming for economic loss of an aggregate of RMB1,468,738.

The above disputes were heard by the CIETAC on 3 December 2004 and 4 March 2005 respectively. CIETAC has not yet indicated the date for the final decisions up to the date of this annual report.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries during the year under review.

訴訟

於二零零四年三月五日，本公司間接全資附屬公司江蘇世紀天虹紡織有限公司（「江蘇世紀」）與一位美國棉花供應商（「申請人」）訂立兩項買賣協議（「有關合約」），江蘇世紀向申請人購買合共1,000噸棉花。

於二零零四年七月或前後，申請人向中國國際經濟貿易仲裁委員會上海委員會（「CIETAC」）就有關合約引起之糾紛展開仲裁程序。申請人聲稱江蘇世紀未有根據有關合約之條款發出信用證，並向江蘇世紀索償(i) 762,908.76美元，作為所產生之經濟損失；(ii) 70,000美元，作為申請人就仲裁支付之法律費用；及(iii)申請人就此仲裁產生之仲裁費用及其他開支。

江蘇世紀拒絕根據有關合約之條款發出信用證，理由是申請人於先前之交易中所交付之棉花之質量及數量均未符合江蘇世紀所指定。就此，江蘇世紀並於二零零四年十一月向申請人展開仲裁程序，索償合共人民幣1,468,738元的經濟損失。

CIETAC已分別於二零零四年十二月三日及二零零五年三月四日就上述糾紛進行聆訊。於本年報刊發日期，CIETAC尚未訂出作出最後決定之日期。

除上文披露外，本公司或其任何附屬公司概無牽涉於任何重大訴訟或仲裁，而據董事所知，本公司或其任何附屬公司並無涉及待決或面臨威脅之重大訴訟或索償。

SUBSEQUENT EVENTS

In March 2006, the Group entered into an unsecured banking facility of US\$10,000,000 with ABN AMRO Bank N.V. (Shanghai Branch), expiring in March 2007. The banking facility was fully utilised subsequent to year-end, and the related borrowings bear interest, at a LIBOR-based floating interest rate.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Hong Tianzhu
Chairman

Hong Kong, 3 April 2006

結算日後事項

於二零零六年三月，本集團與荷蘭銀行有限公司（上海分行）簽訂一項無抵押銀行融資10,000,000美元，於二零零七年三月到期。該銀行融資於年末後已全數動用，而有關附息借貸乃按以倫敦銀行同業拆息為基準的浮動利率計算。

核數師

財務報告經羅兵咸永道會計師事務所審核，羅兵咸永道會計師事務所將退任，並合資格於下一屆股東週年大會上獲續聘。

承董事會命

主席
洪天祝

香港，二零零六年四月三日



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
TEXHONG TEXTILE GROUP LIMITED**
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 62 to 132 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

致天虹紡織集團有限公司
(於開曼群島註冊成立之有限公司)
全體股東

本核數師已完成審核第62頁至第132頁之賬目，該等賬目乃按照香港普遍採納之會計原則編製。

董事及核數師各自之責任

編製真實兼公平之賬目乃 貴公司董事之責任。在編製該等真實兼公平之賬目時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師之責任是根據審核之結果，對該等賬目出具獨立意見，並僅向整體股東報告，除此之外本報告別無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

意見之基礎

本核數師已按照香港會計師公會所頒佈之香港審計準則進行審核工作。審核範圍包括以抽查方式查核與賬目所載數額及披露事項有關之憑證，亦包括評審董事於編製賬目時所作之重大估計和判斷，所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

本核數師在策劃和進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充分憑證，就該等賬目是否存有重大錯誤陳述，作出合理之確定。在作出意見時，本核數師亦已評估該等賬目所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見提供合理之基礎。

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 April 2006

意見

本核數師認為，上述之賬目足以真實兼公平地顯示 貴公司與 貴集團於二零零五年十二月三十一日結算時之財務狀況，及 貴集團截至該日止年度之盈利及現金流量，並按照香港公司條例之披露規定妥為編製。

羅兵咸永道會計師事務所
香港執業會計師

香港，二零零六年四月三日

Consolidated Balance Sheet

綜合資產負債表

As at 31 December 2005

於二零零五年十二月三十一日

(All amounts in RMB yuan unless otherwise stated)

(除另有指明外，所有金額以人民幣元計值)

		Note 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Non-current assets	非流動資產			
Negative goodwill	負商譽	5	–	(9,020)
Property, plant and equipment	物業、廠房及設備	6	598,315	352,843
Land use rights	土地使用權	7	56,098	44,969
Deferred income tax assets	遞延所得稅資產	19	3,428	–
			657,841	388,792
Current assets	流動資產			
Inventories	存貨	9	266,662	164,385
Trade and bills receivables	應收貿易及票據款項	10	162,190	132,008
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	11	46,245	26,974
Pledged bank deposits	已抵押銀行存款	12	8,858	7,114
Cash and cash equivalents	現金及現金等值物	12	259,972	247,245
			743,927	577,726
Current liabilities	流動負債			
Trade payables	應付貿易款項	13	167,269	65,535
Accruals and other payables	應計費用及其他應付賬款	14	110,491	63,119
Borrowings	借貸	15	278,805	227,932
Current income tax liabilities	當期所得稅負債		4,232	6,269
Due to related parties	應付關聯方款項	32	–	25,000
			560,797	387,855
Net current assets	流動資產淨值		183,130	189,871
Non-current liabilities	非流動負債			
Borrowings	借貸	15	72,913	–
Deferred income tax liabilities	遞延所得稅負債	19	11,744	12,012
			84,657	12,012
Net assets	資產淨值		756,314	566,651
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔資本及儲備			
Share capital	股本	16	92,842	92,842
Reserves	儲備	18	663,472	473,809
Total equity	權益總額		756,314	566,651

Hong Tianzhu
Chairman

Zhu Yongxiang
Executive Director

洪天祝
主席

朱永祥
執行董事

The notes are an integral part of this consolidated financial statement.

附註為此等綜合財務報表的一部份。

Balance Sheet

資產負債表

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As at 31 December 2005
於二零零五年十二月三十一日
(All amounts in RMB yuan unless otherwise stated)
(除另有指明外，所有金額以人民幣元計值)

		Note 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Non-current assets	非流動資產			
Investments in subsidiaries	於附屬公司的投資	8	246,592	246,592
Property, plant and equipment	物業、廠房及設備	6	461	535
			247,053	247,127
Current assets	流動資產			
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	11	666	333
Due from subsidiaries	應付附屬公司款項	8	257,294	25,688
Cash and cash equivalents	現金及現金等值物	12	367	167,175
			258,327	193,196
Current liabilities	流動負債			
Accrual and other payables	應計費用及其他應付賬款	14	2,828	3,130
Due to a subsidiary	應付附屬公司款項	8	568	581
			3,396	3,711
Net current assets	流動資產淨值		254,931	189,485
Net assets	資產淨值		501,984	436,612
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔資本及儲備			
Share capital	股本	16	92,842	92,842
Reserves	儲備	18	409,142	343,770
Total equity	權益總額		501,984	436,612

Hong Tianzhu
Chairman

Zhu Yongxiang
Executive Director

洪天祝
主席

朱永祥
執行董事

The notes are an integral part of this financial statement.

附註為此財務報表的一部份。

Consolidated Income Statement

綜合損益表

For the Year Ended 31 December 2005
截至二零零五年十二月三十一日止年度
(All amounts in RMB yuan unless otherwise stated)
(除另有指明外，所有金額以人民幣元計值)

		Note 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Sales	營業額	20	1,915,965	1,415,852
Cost of goods sold	銷售貨品成本	21	(1,573,268)	(1,186,479)
Gross profit	毛利		342,697	229,373
Other gains	其他收入	20	15,130	9,378
Selling and marketing costs	銷售及市場推廣開支	21	(50,868)	(29,753)
General and administrative expenses	一般及行政開支	21	(89,970)	(48,227)
Operating profit	經營溢利		216,989	160,771
Finance costs	財務成本	22	(19,914)	(13,193)
Profit before income tax	除稅前溢利		197,075	147,578
Income tax expense	所得稅開支	23	(16,865)	(10,530)
Profit for the year, attributable to equity holders of the Company	年內本公司股權持有人應佔溢利	24	180,210	137,048
Earnings per share for profit attributable to the equity holders of the Company during the year	年內本公司股權持有人應佔每股溢利			
– Basic	– 基本	26	RMB0.21	RMB0.19
– Diluted	– 攤薄		RMB0.21	RMB0.19
Dividends	股息	25	59,296	194,176

The notes are an integral part of this consolidated financial statement.

附註為此綜合財務報表的一部份。

Consolidated Statement of Changes in Equity

綜合權益變動表

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(All amounts in RMB yuan unless otherwise stated)
(除另有指明外，所有金額以人民幣元計值)

		Attributable to equity holders of the Company 本公司股權持有人應佔		
	Note	Share capital 股本 RMB'000 人民幣千元	Reserves 儲備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance at 1 January 2004				
	於二零零四年一月一日的結餘	74,273	216,635	290,908
Surplus on revaluation of buildings, net of deferred income tax	重估扣除遞延所得稅土地及樓宇價值的盈餘	—	33,854	33,854
Net income recognised directly in equity	直接於權益確認的淨收入	—	33,854	33,854
Profit for the year	年度溢利	—	137,048	137,048
Total recognised income for 2004	二零零四年確認收入總額	—	170,902	170,902
Capital injection into subsidiaries before Reorganisation	重組前注資於附屬公司	—	105,064	105,064
Proceeds on issue of shares	發行股份所得款項	18,569	194,967	213,536
Share issue costs	發行股份成本	—	(19,583)	(19,583)
Dividend relating to 2003	二零零三年股息	—	(194,176)	(194,176)
		18,569	86,272	104,841
Balance at 31 December 2004	於二零零四年十二月三十一日的結餘	92,842	473,809	566,651
Balance at 1 January 2005, as per above	於二零零五年一月一日的結餘，如上	92,842	473,809	566,651
Opening adjustment for the adoption of HKFRS 3	採納香港財務報告準則第3號的期初調整 2.1(iii)	—	9,020	9,020
Balance at 1 January 2005, as restated	於二零零五年一月一日的結餘，經重列	92,842	482,829	575,671
Profit for the year	年度溢利	—	180,210	180,210
Total recognised income for 2005	二零零五年確認收入總額	—	180,210	180,210
Employee share option scheme – value of employee services	僱員購股權計劃 – 僱員服務價值 2.1(ii)	—	433	433
		—	433	433
Balance at 31 December 2005	於二零零五年十二月三十一日的結餘	92,842	663,472	756,314

The notes are an integral part of this consolidated financial statement.

附註為此綜合財務報表的一部份。

Consolidated Cash Flow Statement

綜合現金流量表

(All amounts in RMB yuan unless otherwise stated)
(除另有指明外，所有金額以人民幣元計值)

		Note 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Cash flows from operating activities	來自經營業務的現金流量			
Cash generated from operations	經營所產生的現金	29	212,989	198,515
Interest received	已收利息		3,442	480
Interest paid	已付利息		(19,914)	(12,268)
Income tax paid	已付所得稅		(22,598)	(6,603)
Net cash generated from operating activities	經營業務產生現金淨額		173,919	180,124
Cash flows from investing activities	來自投資業務的現金流量			
Purchase of property, plant and equipment	購置物業、廠房及設備	6	(250,323)	(68,296)
Proceeds from sale of property, plant and equipment	出售物業、廠房及設備所得款項	29	2,560	833
Purchase of land use rights	購買土地使用權	7	(12,041)	(13,344)
Repayment of loans to related parties	償還貸款予關聯方		—	6,702
Net cash used in investing activities	投資業務所耗現金淨額		(259,804)	(74,105)
Cash flows from financing activities	來自融資活動的現金流量			
Proceeds from issuance of shares	發行股份所得款項		—	213,536
Share issue costs	發行股份成本		—	(19,583)
Capital injection into subsidiaries before the Reorganisation	重組前注資予附屬公司		—	105,064
Dividends paid	已付股息		(25,000)	(169,789)
New bank loans	新造銀行貸款		380,804	242,932
New government loans	新造政府貸款		11,500	—
Repayment of bank loans	償還銀行貸款		(266,948)	(250,858)
Repayment of amounts due to related parties	償還應付關連方款項		—	(10,834)
Repayment of long-term liabilities	償還長期負債		—	(205)
Increase in pledged bank deposits	已抵押銀行存款增加		(1,744)	(7,114)
Net cash generated from financing activities	融資業務所得現金淨額		98,612	103,149
Net increase in cash and cash equivalents	現金及現金等值物增加淨額		12,727	209,168
Cash and cash equivalents at 1 January	一月一日之現金及現金等值物		247,245	38,077
Cash and cash equivalents at 31 December	十二月三十一日之現金及現金等值物	12	259,972	247,245

The notes are an integral part of this consolidated financial statement.

附註為此綜合財務報表的一部份。

(All amounts in RMB yuan unless otherwise stated)
(除另有指明外，所有金額以人民幣元計值)

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Texhong Textile Group Limited ("the Company") and its subsidiaries (together "the Group") is principally engaged in the manufacturing and sales of yarns, grey fabrics and dyed fabrics.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 December 2004.

On 21 November 2004, the Company acquired the entire issued share capital of Texhong Textile Holding Limited, a company incorporated in the British Virgin Islands, through a share exchange ("the Reorganisation") and consequently became the holding company of the subsidiaries as set out in Note 33, except for New Apex International Limited, New Apex International Trading Limited, Xuzhou Texhong Times Textile Co., Ltd. and Texhong (China) Investment Co., Ltd., which were established subsequent to that date. The Reorganisation has been accounted for using merger accounting and accordingly the consolidated financial statements of the Group for the year ended 31 December 2004 presented the results of the Group as if the Group resulting from the Reorganisation had been in existence from the beginning of 1 January 2004.

These consolidated financial statements are presented in RMB yuan (RMB), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 3 April 2006.

1. 一般資料及呈列基準

天虹紡織集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要業務為製造及銷售紗線、坯布及染色纖維。

本公司於二零零四年七月十二日在開曼群島根據開曼群島公司法註冊成立為一家獲豁免有限公司。其註冊辦事處地址為Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies。

自從二零零四年十二月九日，本公司股份已經在香港聯合交易所有限公司上市。

於二零零四年十一月二十一日，本公司收購Texhong Textile Holding Limited(家於英屬處女群島註冊成立之公司)的全部已發行股本，並透過股份交換(「重組」)最終成為附註33所載的附屬公司的控股公司。除於該日後成立的新銳國際有限公司、新銳國際貿易有限公司、徐州天虹時代紡織有限公司及天虹(中國)投資有限公司外。重組乃根據合併會計法進行，因此本集團於截至二零零四年十二月三十一日止年度的綜合財務報表呈示本集團的業績，假設經重組後的本公司於二零零四年一月一日起已存在。

除另有指明外，綜合財務報表以人民幣元(人民幣)呈列。此等綜合財務報表已於二零零六年四月三日獲董事會通過可予刊發。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2. 主要會計政策概要

編撰有關財務報表所應用的主要會計政策如下。除另有指明外，此等政策均一致應用於所有呈列的年度。

2.1 編製基準

財務報表按香港財務申報準則（「香港財務申報準則」）編製。除以公平值列賬之樓宇使用評估價值外，財務報表以歷史成本慣例編製。

按照香港財務報告準則編製財務資料需運用若干重大會計估計。其亦需管理層於應用本公司會計政策過程中運用其判斷。涉及高程度的判斷或複雜性，或假設及估計對財務報表為重要的範圍披露於附註4。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則

於二零零五年，本集團採納下列與其營運有關之新訂／經修訂香港財務申報準則標準及詮釋。二零零四年之比較項目已經視乎需要而根據相關規定作出修訂。

香港會計準則第1號	財務報表的呈列
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計估計的變動及誤差
香港會計準則第10號	結算日後事項
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第21號	外匯利率變動的影響
香港會計準則第23號	借貸成本
香港會計準則第24號	關連方披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈列
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第38號	無形資產
香港會計準則第39號	金融工具：確認及計量
香港會計準則第39號 (修訂)	金融資產及金融負債之過渡及首次確認
香港會計準則詮釋第15號	經營租約—優惠
香港財務申報準則第2號	以股份釐定的款項
香港財務申報準則第3號	業務合併

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 32, 33, 39, HKAS 39 (Amendment) and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of certain financial statement disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 32, 33, 39, HKAS 39 (Amendment) and HKAS-Int 15 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, land use rights were accounted for at fair value, less accumulated depreciation and accumulated impairment.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

採納新訂／經修訂香港會計準則第1、2、7、8、10、16、21、23、24、27、32、33、39號、香港會計準則第39號(修訂)及香港會計準則詮釋第15號並不會大幅改變本集團之會計政策。總括而言：

- 香港會計準則第1號影響若干財務報表披露之呈列。
- 香港會計準則第2、7、8、10、16、23、27、32、33、39號、香港會計準則第39號(修訂)及香港會計準則詮釋第15號對本集團政策並無重大影響。
- 香港會計準則第21號對本集團的會計政策並無重大影響。各綜合實體之功能貨幣已按經修訂準則的指引作出重估。本集團內所有實體均於各實體之財務報表使用相同之功能貨幣作呈列貨幣。
- 香港會計準則第24號影響關連方及若干其他關連方披露事項的確認。

採納經修訂香港會計準則第17號令有關將物業、廠房及設備中之土地使用權重新分類為經營租賃之會計政策出現變動。就土地使用權支付之開辦前預付款項於租期內以直線法在損益表列作開支或於出現減值時在損益表將減值列作開支。在以往年度，土地使用權按公平值減累計虧損及累計減值入賬。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 January 2005, the Group expensed the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods. (Note 2.15).

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for negative goodwill. Until 31 December 2004, negative goodwill was amortised on a straight-line basis over a period of 10 years. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of negative goodwill from 1 January 2005, and derecognised the carrying amount of negative goodwill at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

採納香港財務申報準則第2號令有關按股份釐定的款項之會計政策出現變動。於二零零四年十二月三十一日以前，向僱員提供購股權不會在損益表上列作開支。自二零零五年一月一日起，本集團在損益表將購股權之成本列作開支。作為一項過渡性條文，於二零零二年十一月七日後授出及於二零零五年一月一日尚未歸屬之購股權，其成本於相關期間之損益表以追溯性方式列作開支。(附註2.15)

採納香港財務申報準則第3號、香港會計準則第36號及香港會計準則第38號令有關負商譽之會計政策出現變動。直至二零零四年十二月三十一日以前，負商譽乃按直線法於10年內攤銷。根據香港財務申報準則第3號的條文，本集團自二零零五年一月一日起終止負商譽攤銷，並於二零零五年一月一日取消確認負商譽的賬面值，並對保留溢利的期初結餘作出相應調整。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 January 2005.
- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
- HKFRS 3 – prospectively after 1 January 2005.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

會計政策之所有變動已根據各項準則之過渡性條文而作出(如適用)。本集團採納之所有準則均需要作出追溯性應用，惟以下各項除外：

- 香港會計準則第16號－於交換資產交易中購入的物業、廠房及設備項目之首次計量按公平值入賬，僅適用於日後進行之交易；
- 香港會計準則第21號－海外業務的日後商譽入賬及公平值調整；
- 香港會計準則第39號－禁止根據此準則追溯確認、終止確認及計算財務資產及負債；本集團就二零零四年比較資料中的證券投資及對沖關係應用以往之會計實務準則第24號「證券投資之會計處理」。會計實務準則第24號與香港會計準則第39號間會計差異所需的調整於二零零五年一月一日釐定及予以確認。
- 香港會計準則詮釋第15號，於二零零五年一月一日以前之租賃優惠不用確認。
- 香港財務申報準則第2號－僅就於二零零二年十一月七日之後授出及於二零零五年一月一日並未歸屬之所有股本工具作出追溯性應用；及
- 香港財務申報準則第3號－於二零零五年一月一日後應用。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) 2. 主要會計政策概要 (續)

2.1 Basis of preparation (Continued)

- (i) The adoption of revised HKAS 17 resulted in:

Decrease in property, plant and equipment	物業、廠房及設備減少
Increase in land use rights	土地使用權增加
Decrease in revaluation reserves	重估儲備減少
Decrease in deferred income tax liabilities	遞延稅項負債減少
Decrease in general and administrative expenses	一般及行政開支減少
Increase in income tax expenses	所得稅開支增加
Increase in opening retained earnings	期初保留溢利增加
Increase in basic earnings per share	每股基本盈利增加
Increase in diluted earnings per share	每股攤薄盈利增加

- (ii) The adoption of HKFRS 2 resulted in:

Increase in share premium	股份溢價增加
Decrease in retained earnings	保留溢利減少
Increase in general and administrative expense	一般及行政開支增加
Decrease in basic earnings per share	每股基本盈利減少
Decrease in diluted earnings per share	每股攤薄盈利減少

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKFRS 2.

2.1 編製基準 (續)

- (i) 採納經修訂香港會計準則第17號引致：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
124,190	114,568
56,098	44,969
52,471	52,471
17,296	17,488
1,507	377
192	17
360	—
—	—
—	—

- (ii) 採納香港財務申報準則第2號引致：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
433	—
—	—
433	—
—	—
—	—

採納香港財務申報準則第2號對於二零零四年一月一日的期初保留溢利並無影響。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (iii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in:

Decrease in negative goodwill
Increase in retained earnings
Increase in general and administrative expense
Increase in basic earnings per share
Increase in diluted earnings per share

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKFRS 3, HKAS 36 and HKAS 38.

Standards, interpretations and amendment to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

HKAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

- (iii) 採納香港財務申報準則第3號、香港會計準則第36及香港會計準則38號引致：

負商譽減少	7,762
保留溢利增加	7,762
一般及行政開支增加	1,258
每股基本盈利增加	—
每股攤薄盈利增加	—

At
31 December
2005
於二零零五年
十二月三十一日
RMB'000
人民幣千元

採納香港財務申報準則第3號、香港會計準則第36號及香港會計準則第38號對於二零零四年一月一日的期初保留溢利並無影響。

尚未生效之準則、對已頒佈準則之詮釋及修訂

本集團必須於2006年1月1日開始或往後之會計期間應用而未有提早應用之若干已頒佈新準則、對現行準則之詮釋及修訂如下：

香港會計準則第19號(修訂本)·僱員福利(自二零零六年一月一日起生效)。此項修訂引入確認精算損益之其他方法。倘多僱主計劃之資料不足以應用界定福利會計處理方法，則可能須施加額外確認規定。此項修訂亦增添新披露規定。由於貴集團不擬更改就確認精算損益所採納之會計政策，且並無參與任何多僱主計劃，故採納此項修訂將僅影響財務報表呈報之形式及披露內容。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendment to published standards that are not yet effective (Continued)

HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as at 31 December 2005.

HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to HKAS 39 and concluded that it is not relevant to the Group.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

香港會計準則第39號(修訂本)·預測集團內公司間交易之現金流量對沖會計處理方法(自二零零六年一月一日起生效)。該修訂使極有可能進行集團內公司間交易之外幣風險列為綜合財務報表之對沖項目·惟:(a)該交易須以進行交易實體之功能貨幣以外之貨幣列值;及(b)外幣風險將影響綜合溢利或虧損。由於本集團於二零零五年十二月三十一日並無進行任何可列為綜合財務報表之對沖項目之集團內公司間交易·故此是項修訂不適用於本集團業務。

香港會計準則第39號(修訂本)·選擇以公平值入賬(自二零零六年一月一日起生效)。此項修訂更改分類為按公平值計入損益之財務工具之定義·並限制指定財務工具作為此種類別之一部分。貴集團相信·由於貴集團應可就按公平值計入損益之指定財務工具遵守經修訂準則·故此是項修訂將不會對財務工具之分類構成重大影響。貴集團將自二零零六年一月一日開始之年度期間採納是項修訂。

香港會計準則第39號及國際財務報告準則第4號(修訂本)·財務擔保合約(自二零零六年一月一日起生效)。此項修訂規定已作出之財務擔保(該等實體以往宣稱為保險合約者除外)初步按公平值確認·其後則按下列兩項之較高者計算:(a)所收取及遞延相關費用之未攤銷結餘;及(b)用以繳付於結算日之承擔之開支。管理層認為·是項為國際會計準則第39號之修訂·並確認是項修訂不適用於本集團。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendment to published standards that are not yet effective (Continued)

HKFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006). These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006). IFRS 6 is not relevant to the Group's operations.

HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1 January 2007.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

香港財務申報準則第1號(修訂本)·首次採納國際財務報告準則以及國際財務報告準則第6號(修訂本)·礦產資源勘探及評估(自二零零六年一月一日起生效)。由於本集團並非首次採納國際財務報告準則·且並無進行任何礦產資源勘探及評估·故此等修訂不適用於本集團業務。

香港財務報告準則第6號·礦產資源的勘探及評估(二零零六年一月一日起生效)。國際財務報告準則第6號與本集團的營運無關。

香港財務申報準則第7號—財務工具：披露以及香港會計準則第1號之補充修訂—財務報表呈報—資本披露(自二零零七年一月一日起生效)。香港財務報告準則第7號載有新披露規定以增加就財務工具披露之資料。此項修訂規定披露公司所承受財務工具產生之風險之質量及數量資料·包括有關信貸風險、流通量風險及市場風險之指定最低披露項目·以及市場風險相關之敏感資料分析。此項修訂取代香港會計準則第30號—銀行及同類財務機構財務報表披露·以及香港會計準則第32號—財務工具：披露及呈報。此項修訂適用於所有根據香港財務申報準則作出報告之實體。香港會計準則第1號之修訂須包括披露實體之資金水平·以及其管理資本方法。本集團已評估香港財務申報準則第7號之影響及香港會計準則第1號修訂·並認為主要增加之披露為市場風險之敏感資料分析以及修訂香港會計準則第1號後所規定之資本披露。本集團將自二零零七年一月一日開始採納香港財務申報準則第7號及多項香港會計準則第1號之修訂。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendment to published standards that are not yet effective (Continued)

HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006). HKFRS-Int 5 is not relevant to the Group's operations.

HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005). HK(IFRIC)-Int 6 is not relevant to the Group's operations.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

香港財務申報詮釋委員會第4號—釐定安排是否包括租賃(自二零零六年一月一日起生效)。香港財務申報詮釋委員會第4號規定根據安排之內容釐定安排是否包括租賃。此項準則須評估:(a)達成安排是否須視乎使用某一特定資產或多項資產(該資產);及(b)該項安排是否附帶使用該項資產之權利。管理層現正評估香港財務申報詮釋委員會第4號對本集團業務構成之影響。

香港財務申報詮釋委員會第5號—終止運作、復原及環境修復基金產生權益之權利(自二零零六年一月一日起生效)。香港財務申報詮釋委員會第5號不適用於本集團業務。

香港財務申報詮釋委員會第6號—參與特定市場—廢料電力及電子設備產生之負債(自二零零五年十二月一日起生效)。香港財務申報詮釋委員會第6號不適用於本集團業務。

2.2 綜合

綜合財務報表包括本公司及其附屬公司於十二月三十一日的財務報表。

附屬公司本集團可對其財務及經營政策行使控制權,控制過半數投票權的企業(包括為特殊目的而成立的實體)。在評估本集團是否控制另一實體時,將考慮目前可行使或目前可轉換的潛在投票權是否存在及其影響。

附屬公司自控制權轉移予本集團當日起綜合入賬,並由控制權終止當日起剔除。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. 主要會計政策概要 (續)

2.2 綜合 (續)

本集團採用收購會計法為本集團所收購之附屬公司列賬。收購成本為於交易當日所獲資產之公平值、所發行之股本工具及所產生或承擔之負債，加上直接歸屬予收購事項之成本。在商業合併過程中所收購之可辨別資產、所承擔之負債及或然負債，均於收購當日按其公平值作出初步計量，而毋須計及任何少數股東權益。收購成本超出本集團應佔所收購之可辨別淨資產之差額乃列作商譽。倘收購成本低於所收購附屬公司淨資產之公平值，則有關差額將直接在損益表內確認。

集團內部往來的餘額和集團內部交易及其產生的未實現利潤於合併對予以抵銷。內部交易產生的未實現損失亦予以抵銷，但將考慮為轉讓資產的減值指標。對附屬公司的會計政策在必要時進行調整以確保其與本集團所採用的會計政策一致。

於本公司之資產負債表，於附屬公司之投資乃以成本扣除減值虧損撥備後列賬。附屬公司之業績乃按本公司之已收及應收股息入賬。

2.3 分類報告

業務分部指從事提供產品或服務之一組資產及業務，而該組資產及業務之風險及回報有別於其他業務分部。地區分部乃在某一特定經濟環境下從事提供產品或服務，而該分部之風險及回報有別於在其他經濟環境經營之分部。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 主要會計政策概要(續)

2.4 Foreign currency translation

2.4 外幣換算

(a) Functional and presentation currency

(a) 功能及呈報貨幣

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB yuan, which is the Company's functional and presentation currency.

本集團旗下每個實體之財務報表所包括之項目，均以該實體之主要營運地區之貨幣計算，此為功能貨幣。本綜合財務報表乃以人民幣呈報，人民幣為本公司之功能及呈報貨幣。

(b) Transactions and balances

(b) 交易及結餘

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

外幣交易均按交易當日之匯率折算為功能貨幣。此等交易結算以及按年結日之匯率折換外幣資產和負債而產生的匯兌收益及虧損，均於損益表內確認。

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

在編製綜合帳時，折算海外實體投資淨額和折算被指定為此等投資之對沖項目的借貸及其他貨幣工具而產生的匯兌差異，均列入股東權益帳內。當出售海外業務時，此等匯兌差異將於損益表內確認為出售收益或虧損的一部分。

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

因收購海外實體而產生之商譽及公平價值調整，均視作為該海外實體之資產及負債處理，並於結算日的匯率折算。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

(i) Construction-in-progress

Construction-in-progress, representing buildings on which construction work has not been completed and machinery pending installation, is stated at cost, which includes construction expenditures incurred, cost of machinery, interest capitalised and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed and put into use. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

(ii) Other property, plant and equipment

Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備

(i) 在建工程

在建工程指未完成建築工程的樓宇及未安裝的機器，按成本入賬，包括建築開支、機器成本、資本化利息及建築與安裝期間其他直接成本，而扣減累計減值虧損（如有）。於建築及安裝完成前不會就在建工程作出折舊。當工程完成後，在建工程轉撥至適當物業、廠房及設備類別。

(ii) 其他物業、廠房及設備

樓宇根據定期但最少每隔三年以取自外間獨立估價師之公開市值扣減隨後發生之折舊額以公平值列示。重估當日之累計折舊額需先沖銷資產之賬面毛值，沖減後之淨額則重新調整至該資產之重估值。所有其他物業、廠房及設備均以扣減累計折舊及累計減值虧損（如有）後之歷史成本列賬。歷史成本包括因取得該項目而直接產生之費用。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

(ii) Other property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	15 to 30 years
Machinery and equipment	6 to 15 years
Furniture and fixtures	5 to 10 years
Motor vehicles	5 to 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備 (續)

(ii) 其他物業、廠房及設備 (續)

只有在與項目相關的未來經濟效益有可能流入本集團，並能夠可靠地計量項目成本的情況下，本集團才會將其後成本計入為資產賬面值之一部分或確認為獨立資產項目（如適用）。其他所有維護及保養費用均需於產生時支銷於當期損益賬內。

房產重估後之賬面增值撥入股東權益之其他儲備中。與同一資產早前之增值作對銷之減值部分，直接於權益項中之公平價值儲備中扣減；餘下之減值額則確認於收益賬內。其後任何增值將撥入損益賬（以早前扣減之金額為限），然後撥至房產重估儲備內。出售房產時，房產重估儲備中與先前估值有關之已實現部分，將從房產重估儲備撥轉至保留溢利。

物業、廠房及設備的折舊以直線法，將其成本或重估值於其如下估計可用年限內攤銷其剩餘價值：

樓宇	15至30年
機器及設備	6至15年
傢俬及裝置	5至10年
汽車	5至12年

本集團在每個結算日重檢資產的剩餘價值及可用年限，並已按適當情況作出調整。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

(ii) Other property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

2.6 Land use rights

All land in the People's Republic of China ("China") is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over a period of 50 years using the straight-line method.

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備 (續)

(iii) 其他物業、廠房及設備 (續)

倘資產的賬面值大於其估計可收回金額，資產的賬面值即時減值至其可收回金額(附註2.7)。

出售之盈利及虧損是按出售所得款項與有關資產賬面值之差額而釐定，並於收益賬內確認。重估資產售出後，重估盈餘內的金額轉移至保留溢利。

2.6 土地使用權

中國人民共和國(「中國」)內所有土地均為國有或共同擁有，並無出現土地私有權。本集團取得使用若干土地的權利。就該權利支付的溢價視作營運租賃的預付款項，並記錄為土地使用權，按直線法於50年期間內攤銷。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

2. 主要會計政策概要 (續)

2.7 非財務資產減值

對因可使用年期不確定而不攤銷之資產，則至少每年進行減值測試，並且當任何事件發生或環境變化預示其帳面價值可能無法收回時，亦會進行減值測試。對進行攤銷的資產，當任何事件發生或環境變化預示其帳面價值無法收回時，會對該等資產進行減值測試。若某項資產的帳面價值超過其可收回金額時，會就其差額確認減值損失。資產的可收回金額為公允價值減出售成本與其可使用價值中較高者。評估資產減值準備時，資產按可單獨分辨的最小現金流量產生單位予以分類。除商譽外減值的非財務資產將於各申請日期檢討撥回減值的可能性。

2.8 政府補助

假若可合理地確定本集團將獲得政府補助，以及符合該補助所附帶之條件，政府補助以公允價值確認入賬。

為補償有關成本而收取之補助按遞延法於有關成本記賬之期間內於損益表中配對確認。有關購買物業、機器及設備之政府補助計入非流動負債中作為遞延政府補助，並按有關資產之預期可使用年期以直線法於損益表確認。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within general and administrative expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2. 主要會計政策概要 (續)

2.9 存貨

存貨以成本或可變現淨值兩者之較低者入賬。成本以加權平均法計算，包括原料、直接勞工及相應比例之一切間接生產成本（按一般營運能力），其不包括借貸成本。可變現淨值則以一般業務過程中估計出售價格減應用可變銷售開支計算。

2.10 應收賬款

應收貿易款項最初按公允價值確認，其後按實際利率法攤薄成本減減值準備計算。應收貿易款項減值撥備是於有明顯證據表明本集團無法按應收款項之原有條款收回所有金額時確認。債務人如有嚴重財務困難，可能會破產或進行債務重組，及不能履行或違反付款協定均被視應收貿易款項減值的跡象。撥備金額為資產賬面值與按實際利率估計未來現金流量的現值兩者的差額。撥備金額在損益表一般及行政開支內確認。

2.11 現金及現金等值物

現金及現金等值物包括手頭現金、其他到期日為三個月或以下的短期高流動性投資以及銀行透支。銀行透支於資產負債表的流動負債內以借貸列示。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. 主要會計政策概要 (續)

2.12 股本

普通股分類為股權。

與發行新股或購股權直接有關的增量成本，列入股權作為所得款項的減值（減去稅項）。

2.13 借貸

借貸最初乃按公平值（扣除已產生之交易成本）確認。交易成本為直接歸屬予金融資產或金融負債之購買、發行或出售之增量成本，其中包括付予代理、顧問、經紀及交易商之費用和佣金、規管機構及證券交易所所收取之費用，以及轉讓稅及關稅。借貸其後按攤銷成本列賬，如扣除交易成本後之所得款項及贖回價值出現差額，則於借貸期內以實際利率法在損益表內確認。

除非本集團有權無條件將債務結算日期遞延至結算日後至少十二個月，否則借貸將被劃分為流動負債。

2.14 遞延所得稅

遞延所得稅以負債法就資產及負債的評稅基準與其於綜合財務報表內的賬面值兩者間的暫時差異，作出全數準備。然而，如遞延所得稅乃來自進行交易時初始確認的資產或負債（如屬業務合併則除外）而並不影響會計或應課稅溢利，則不計入遞延所得稅。遞延所得稅以稅率及於結算日前已頒佈或大部份已頒佈而預期當有關遞延所得稅資產已變現後或遞延所得稅負債已清償後將應用的有關法例釐定。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employees benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. 主要會計政策概要 (續)

2.14 遞延所得稅 (續)

遞延稅項資產只會在未來應課稅溢利有可能用作抵銷暫時差異時才會確認。

遞延稅項須就投資於附屬公司而引致的暫時差異作出準備，除非集團可控制暫時差異會在何時轉回，且暫時差異很可能不會在可見的未來轉回。

2.15 僱員福利

(a) 僱員所享有假期

僱員所享有的年假當僱員可享有時確認，並因應僱員截至結算日所提供服務而就年假及長期服務休假的估計承擔金額作出撥備。僱員所享有的病期及產假於休假時方會確認。

(b) 退休金承擔

本集團以強制、合約或自願基準向公營或私營管理的退休保險計劃作出供款。一旦作出供款，本集團並無進一步付款責任。該等供款於到期時確認為僱員福利開支，且不會以僱員在取得全數供款前退出計劃而被沒收之供款作扣減。預繳供款確認為資產，惟須以可獲現金退款或扣減日後供款為限。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employees benefits (Continued)

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Bonus plan

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2. 主要會計政策概要 (續)

2.15 僱員福利 (續)

(c) 以股份作補償

本集團推行按股本結算以股份作補償之計劃。按僱員服務以換取授出購股權的公允值乃確認為開支。於歸屬期內列作開支的總金額乃參照已授出的購股權的公允值釐定，不包括任何非市場歸屬條件（例如盈利能力及銷售增長目標）的影響。非市場歸屬條件已包括在假設預期可予行使的購股權的數目。於各結算日，各實體均會修改其估計預期可予行使的購股權的數目，並於損益表內確認修改原來估計數字（如有）的影響以及對股本的相應調整。

當購股權獲行使時，已收取所得款項（扣除任何直接應佔交易成本）均列入股本（面值）及股份溢價中。

(d) 花紅計劃

本集團於合約規定或由過往做法產生推定責任時就花紅確認撥備。

2.16 撥備

倘本集團因過往事件而有現時法律或推定責任，並可能須動用資源履行有關責任，且能可靠估計相關金額，則會確認撥備。不會就將來營運虧損確認撥備。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Commission income

Commission income is recognised when the total amount of revenue and costs arising from provision of services can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow in and the stage of completion of the services provided can be measured reliably.

2. 主要會計政策概要 (續)

2.16 撥備 (續)

如有多項類似責任，其需要在償付中流出資源的可能性根據責任的類別整體考慮。即使同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

撥備以預期用以償付責任的開支，按反映當時市場對金錢時間價值的評估及該責任的特有風險的稅前費率計算的現值計量。因時間過去而增加的撥備確認為利息開支。

2.17 收益確認

收益包括本集團在通常業務過程中出售的貨品及服務的公允價值，扣除增值稅、退回、回扣和折扣，以及抵銷集團內部銷售後的淨值列示。收益確認如下：

(a) 貨品銷售

貨品銷售在本集團實體已將貨品交付予顧客，顧客接收產品後，以及有關應收款的收回可合理確保時確認。

(b) 佣金收入

佣金收入於提供服務產生的收益及成本總額能可靠估計及與交易有關的經濟利益均流入之時，及能可靠計算提供的服務的完成階段之時確認。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

(c) Subsidy income

Subsidy income is recognised when received.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. 主要會計政策概要 (續)

2.17 收益確認 (續)

(c) 補助收入

補助收入於接獲時確認。

(d) 利息收入

利息收入採用實際利息法按時間比例基準確認。

2.18 經營租約

凡擁有權的大部份風險及回報仍歸出租人所有的租約，均列作經營租約。根據經營租約的付款（扣除出租人給予的任何優惠）在租期內以直線法自損益表扣除。

2.19 股息分派

向本公司股東分派的股息在股息或本公司股東批准的期間於本集團的財務報表內列為負債。

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units.

(i) Foreign exchange risk

The Group mainly operates in the Mainland China. Most of the Group's transactions, assets and liabilities are dominated in RMB yuan. RMB yuan is not freely convertible into other foreign currencies.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

3. 財務風險分析

3.1 財務風險因素

本集團的業務面對多種財務風險：市場風險(包括外幣風險)、信貸風險、流動資金風險及利率風險。本集團的整體風險管理計劃集中在財務市場的不可預測性上，並尋求盡量減低對本集團財務表現的潛在不利影響。

風險管理由管理層根據董事會批准的政策進行。管理層與本集團的營運單位緊密合作，辨識及評估財務風險。

(i) 外匯風險

本集團主要於中國大陸進行其營運活動。本集團大部份交易、資產及負債均以人民幣元計值。人民幣元不可自由轉換成其他外幣。

外匯風險來自日後進行之商業交易、已確認資產與負債以及於外國營運之投資淨額。本集團透過進行定期檢討及監察其外匯風險管理其外匯風險。

(ii) 信貸風險

本集團並無重大信貸風險。本集團已制訂政策以確保銷售產品予良好信貸記錄的客戶。本集團亦對其客戶進行信貸評估。

(iii) 流動資金風險

本集團採取審慎的流動資金管理，透過高質素的充裕信貸融資保持足夠現金及可動用的資金。本集團之財務政策旨在維持充裕信貸融資，以保持資金之靈活彈性。

3. FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(iv) Cash flow and fair value interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank borrowings have been disclosed in Note 15.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.2 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. 財務風險分析 (續)**3.1 財務風險因素 (續)****(iv) 現金流量及公平價值利率風險**

本集團並無重大附息資產，故本集團的收入及營運流動資金大部份不受市場利率變動所影響。本集團受利率變動影響的風險主要來自銀行借貸。以浮動利率計算的銀行借貸對本集團構成現金流量利率風險。以固定利率計算的銀行借貸對本集團構成公平價值利率風險。本集團銀行借貸的詳情披露於附註15。

本集團並無使用任何利率掉期以對沖利率風險。

3.2 公平價值估計

假設一年內到期的應收貿易款項及應付貿易款項的面值減去估計的貸方調整後的數額與公平值相若。於披露財務負債的公平值時，乃根據財務負債按類似金融工具適用於本集團的當期市場利率折現未來合約現金流量作出估計。

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Estimated useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4.2 Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

4. 重大會計估計

各項估計均持續評估，並根據歷史經驗及其他因素（包括於正常情況下對未來事件被認為合理之預期）。

本集團作出有關未來情況的估計及假設，按照定義，會計估計結果一般將不會相等於有關實際結果。估計及假設對於就下一個財政年度內的資產及負債賬面值作出重大調整而構成的重大風險如下：

4.1 機器及設備之估計可使用年期

本集團之管理層釐定其機器及設備之估計可使用年期及相關折舊費用。該估計乃根據類似性質及功能之機器及設備之實際可使用年期之過往經驗而釐定，並可能因技術創新及產業間之激烈競爭行為而有重大改變。當可使用年期少於先前之估計年期，管理層將增加折舊費用，或將撇銷或撇減已報廢或出售之技術廢舊或非策略性資產。

4.2 呆賬估計撥備

本集團按應收貿易款項及其他應收款項之可收回性釐定呆賬撥備。倘有事件及變動顯示餘款不能收回，將為應收貿易款項及其他應收款項計提撥備。呆賬之識別須管理層作出判斷及估計。倘預期結果與原定估計不同，則有關差異將影響於該估計已變更期間應收款項之賬面值及呆帳支出。

5. NEGATIVE GOODWILL

Movements were:

Balances at 1 January
 Amortisation
 Opening adjustment for adoption of
 HKFRS 3

Balances at 31 December

於一月一日之結餘
 攤銷
 香港財報申報準則
 第3號期初調整

十二月三十一日
 之結餘

5. 負商譽

變動如下：

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Balances at 1 January	(9,020)	(10,278)
Amortisation	-	1,258
Opening adjustment for adoption of HKFRS 3	9,020	-
Balances at 31 December	-	(9,020)

6. PROPERTY, PLANT AND EQUIPMENT

6. 物業、廠房及設備

		Group 本集團					
		Buildings 樓宇 RMB'000 人民幣千元	Machinery and equipment 機器及設備 RMB'000 人民幣千元	Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Con- struction- in-progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2004	於二零零四年 一月一日						
Cost	成本	44,670	259,604	2,019	2,754	4,835	313,882
Accumulated depreciation	累計虧損	(3,132)	(43,357)	(532)	(546)	–	(47,567)
Net book amount	賬面淨值	41,538	216,247	1,487	2,208	4,835	266,315
Year ended 31 December 2004	截至二零零四年 十二月三十一日 止年度						
Opening net book amount	期初賬面淨值	41,538	216,247	1,487	2,208	4,835	266,315
Revaluation surplus	重估盈餘	45,909	–	–	–	–	45,909
Additions	添置	6,892	16,865	1,274	2,534	40,731	68,296
Transfers	轉讓	6,724	38,376	–	–	(45,100)	–
Disposals	出售	(4)	(628)	(2)	–	–	(634)
Depreciation	折舊	(3,353)	(22,748)	(330)	(612)	–	(27,043)
Closing net book amount	期末賬面淨值	97,706	248,112	2,429	4,130	466	352,843
At 31 December 2004	於二零零四年 十二月三十一日						
Cost or valuation	成本或估值	100,452	314,114	3,291	5,288	466	423,611
Accumulated depreciation	累計折舊	(2,746)	(66,002)	(862)	(1,158)	–	(70,768)
Net book amount	賬面淨值	97,706	248,112	2,429	4,130	466	352,843
Year ended 31 December 2005	截至二零零五年 十二月三十一日 止年度						
Opening net book amount	期初賬面淨值	97,706	248,112	2,429	4,130	466	352,843
Additions	添置	266	23,264	1,403	3,612	253,790	282,335
Transfers	轉讓	1,607	18,094	–	–	(19,701)	–
Disposals	出售	–	(1,726)	(39)	(149)	–	(1,914)
Depreciation	折舊	(5,047)	(28,141)	(629)	(1,132)	–	(34,949)
Closing net book amount	期末賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315
At 31 December 2005	於二零零五年 十二月三十一日						
Cost or valuation	成本或估值	102,325	353,362	4,654	8,573	234,555	703,469
Accumulated depreciation	累計折舊	(7,793)	(93,759)	(1,490)	(2,112)	–	(105,154)
Net book amount	賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (i) Buildings are located in Mainland China and are located on land held under land use rights for a period of 50 years.
- (ii) Buildings were stated at open market value at 30 September 2004, based on a valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified valuers. The revaluation surplus, net of applicable deferred income tax liabilities, was credited to revaluation reserves in equity (Note 18).

If buildings were stated on the historical cost basis, the amounts would be as follows:

Cost	成本
Accumulated depreciation	累計折舊
Net book amount	賬面淨值

- (iii) Property, plant and equipment of approximately RMB122,375,000 as at 31 December 2005 (2004: RMB139,215,000) were pledged as collateral of the Group's short-term bank loans (Note 15).
- (iv) Construction-in-progress of approximately RMB232,153,000 as at 31 December 2005 (2004: Nil) referred to the Group's project in Xuzhou, Mainland China for acquiring 100,000-spindle capacity for production of yarn.

Construction costs of buildings	樓宇建築費用
Cost of machinery	機器成本

6. 物業、廠房及設備 (續)

- (i) 樓宇位於中國大陸，並位於根據為期50年的土地使用權持有的土地。
- (ii) 根據獨立合資格估值公司戴德梁行有限公司進行的估值，樓宇以於二零零四年九月三十日的公開市場價值列賬。重估盈餘扣除適用的遞延所得稅負債，列入股本為重估儲蓄(附註18)。

倘樓宇以歷史成本法列賬，金額將為如下：

As at 31 December
於十二月三十一日

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
60,154 (8,524)	58,281 (5,883)
51,630	52,398

- (iii) 於二零零五年十二月三十一日的物業、廠房及設備約人民幣122,375,000元(二零零四年：人民幣139,215,000元)抵押為本集團短期銀行貸款的抵押品(附註15)。
- (iv) 於二零零五年十二月三十一日的在建工程約人民幣232,153,000元(二零零四年：零)指本集團於中國大陸徐州收購配備100,000個紗錠生產紗線工廠的項目。

As at 31 December
於十二月三十一日

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
38,739 195,816	4 462
234,555	466

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (v) Depreciation expenses of RMB29,638,000 (2004: RMB23,748,000) has been expensed in cost of goods sold, RMB575,000 (2004: RMB142,000) in selling and marketing costs and RMB4,736,000 (2004: RMB3,153,000) in general and administrative expenses.
- (vi) Lease rentals amounting to RMB3,227,000 (2004: Nil) relating to the lease of buildings, machinery and equipment are included in the income statement.
- (vii) Borrowing costs of RMB480,000 have been capitalised in 2005 (2004: Nil), which comprised exchange gains of RMB1,570,000 and interest expenses of RMB2,050,000 (Note 22) at an average capitalisation rate of 6.9% (2004: Nil).

The analysis of the cost or valuation of net book value of the above fixed assets is as follows:

6. 物業、廠房及設備 (續)

- (v) 折舊開支為人民幣29,638,000元(二零零四年: 人民幣23,748,000元)已於銷售貨品成本中支銷, 人民幣575,000元(二零零四年: 人民幣142,000元)支銷於銷售及市場推廣成本及人民幣4,736,000元(二零零四年: 人民幣3,153,000元)支銷於一般及行政開支。
- (vi) 有關租用樓宇、機器及設備的租金約人民幣3,227,000元(二零零四年: 零)包括在損益表內。
- (vii) 借貸成本人民幣480,000元已於二零零五年資本化(二零零四年: 零), 其中包括兌換收益人民幣1,570,000元及利息開支按年度資本化率6.9%計算為人民幣2,050,000元(二零零四年: 零)(附註22)。

以上固定資產的成本或重估分析為如下:

		Buildings 樓宇 RMB'000 人民幣千元	Machinery and equipment 機器及設備 RMB'000 人民幣千元	Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Con- struction- in-progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 31 December 2005	於二零零五年 十二月三十一日						
At cost	按成本	7,154	259,603	3,164	6,461	234,555	510,937
At valuation	按估值	87,378	-	-	-	-	87,378
		94,532	259,603	3,164	6,461	234,555	598,315
At 31 December 2004	於二零零四年 十二月三十一日						
At cost	按成本	5,784	248,112	2,429	4,130	466	260,921
At valuation	按估值	91,922	-	-	-	-	91,922
		97,706	248,112	2,429	4,130	466	352,843

6. PROPERTY, PLANT AND EQUIPMENT (Continued) 6. 物業、廠房及設備 (續)

Company
本公司
Furniture
and fixtures
傢俬及裝置
RMB'000
人民幣千元

Period from 12 July 2004 (date of incorporation) to 31 December 2004

自二零零四年七月十二日
(註冊成立之日)至二零零四年
十二月三十一日止期間

Additions	添置	563
Depreciation	折舊	(28)
Closing net book amount	期末賬面淨值	<u>535</u>

At 31 December 2004

於二零零四年十二月三十一日

Cost	成本	563
Accumulated depreciation	累計折舊	(28)
Net book amount	賬面淨值	<u>535</u>

Year ended 31 December 2005

截至二零零五年十二月三十一日
止年度

Opening net book amount	期初賬面淨值	535
Additions	添置	6
Depreciation	折舊	(80)
Closing net book amount	期末賬面淨值	<u>461</u>

At 31 December 2005

於二零零五年十二月三十一日

Cost	成本	569
Accumulated depreciation	累計折舊	(108)
Net book amount	賬面淨值	<u>461</u>

7. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book amount are analysed as follows:

In Mainland China, held on: 於中國大陸·持有
Leases of between 10 to 50 years 10至50年的租賃

Bank borrowings are secured on land use rights of approximately RMB36,510,000 (2004: RMB15,187,000) (Note 15).

Balances at 1 January 於一月一日的結餘
Additions 添置
Amortisation 攤銷

Balances at 31 December 於十二月三十一日的結餘

As at 31 December 2005, land use rights amounting to RMB4,400,000 represents cost of acquisition of the land use rights of RMB26,289,000, less related government grants of RMB21,889,000 which was deducted from the acquisition cost (Note 30).

8. SUBSIDIARIES – THE COMPANY

Investments, at cost 按成本投資
Unlisted equity investments 非上市權益投資

Due from subsidiaries 應收附屬公司款項

Due to a subsidiary 應付附屬公司款項

Particulars of the principal subsidiaries of the Company are set out in Note 33.

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable within 1 year.

7. 土地使用權

本集團於土地使用權的權益指預付營運租賃款項，其賬面淨值分析如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
56,098	44,969

銀行貸款以土地使用權約人民幣36,510,000元作抵押(二零零四年：人民幣15,187,000元)(附註15)。

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
44,969	32,125
12,041	13,344
(912)	(500)
56,098	44,969

於二零零五年十二月三十一日，土地使用權價值為人民幣4,400,000元，為收購土地使用權的成本人民幣26,289,000元減去政府補助人民幣21,889,000元(附註30)。

8. 附屬公司－本公司

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
246,592	246,592
257,294	25,688
568	581

本集團主要附屬公司詳情載於附註33。

應收／付附屬公司款項為無抵押、免息且須予一年內償還。

9. INVENTORIES

9. 存貨

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Raw materials	原材料	138,364	74,953
Work in progress	在產品	34,561	28,313
Finished goods	製成品	93,737	61,119
		266,662	164,385

The cost of inventories recognised as expense and included in cost of goods sold amounted to RMB1,350,205,000 (2004: RMB1,006,427,000).

存貨成本人民幣1,350,205,000元(二零零四年: 人民幣1,006,427,000元)確認為開支並包括在銷售貨品成本內。

During the year ended 31 December 2005, the Group made a provision for inventory write-down of RMB338,000 (2004: Nil). The amount has been included in general and administrative expenses.

截至二零零五年十二月三十一日止年度,本集團就存貨減值撥備人民幣338,000元(二零零四年: 零)。該款項已包括在一般及行政開支中。

Inventories of RMB1,897,000 as at 31 December 2005 (2004: Nil) were stated at net realisable value.

於二零零五年十二月三十一日的存貨人民幣1,897,000元(二零零四年: 零)以可變現淨值列賬。

Inventories of RMB14,203,000 as at 31 December 2005 (2004: Nil) were pledged as collateral of the Group's short-term bank loans (Note 15).

於二零零五年十二月三十一日的存貨人民幣14,203,000元(二零零四年: 零)抵押為本集團短期銀行貸款的抵押品(附註15)。

10. TRADE AND BILLS RECEIVABLES

10. 應收貿易及票據款項

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Trade receivables	應收貿易款項	127,677	111,759
Bills receivable	應收票據款項	37,790	23,170
		165,467	134,929
Less: Provision for impairment of receivables	減: 應收款項減值撥備	(3,277)	(2,921)
		162,190	132,008

The fair value of trade and bills receivables approximate their carrying amount.

應收貿易及票據款項的公平價接近其賬面值。

10. TRADE AND BILLS RECEIVABLES (Continued)

The credit terms granted by the Group to its customers are generally within 90 days. The ageing analysis of the trade and bills receivables was as follows:

0 to 30 days	0至30日
31 to 90 days	31至90日
91 to 180 days	91至180日
181 days to 1 year	181日至1年
Over 1 year	一年以上

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Included in the trade receivables were amounts due from related parties of RMB5,304,000 as at 31 December 2005 (2004: RMB5,483,000) (Note 32(d)).

The Group has recognised a loss of RMB356,000 (2004: RMB1,742,000) for the impairment of its trade receivables during the year ended 31 December 2005. The loss has been included in general and administrative expenses in the income statement.

Bills receivable of RMB2,000,000 as at 31 December 2004 were pledged as collateral of the Group's short-term bank loans (Note 15).

10. 應收貿易及票據款項 (續)

本集團授予其客戶的信貸期一般為90日內。應收貿易及票據款項的賬齡分析如下:

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
123,522	102,083
29,041	23,769
6,533	4,882
2,307	2,186
4,064	2,009
165,467	134,929

由於本集團有大量客戶，應收貿易款項無集中的信貸風險。

應收貿易款項中包括於二零零五年十二月三十一日應收關連方款項人民幣5,304,000元（二零零四年：人民幣5,483,000元）（附註32(d)）。

本集團已就其於二零零五年十二月三十一日止年度應收貿易款項減值確認虧損人民幣356,000元（二零零四年：人民幣1,742,000元）。虧損已包括在損益表一般及行政開支內。

於二零零四年十二月三十一日的應收票據款項已抵押為本集團短期銀行貸款的抵押品（附註15）。

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

11. 預付款項、按金及其他應收賬款

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Deposits for purchases of raw materials	購買原材料的按金	40,957	22,182	—	—
Staff advances and loans	員工墊款及債項	1,770	854	312	—
Other receivables	其他應收賬款	303	548	50	51
VAT recoverable	應退增值稅	111	1,069	—	—
Prepayments	預付款項	2,590	2,200	207	183
Deposits	按金	514	121	97	99
		46,245	26,974	666	333

The fair value of other receivables approximates their carrying amounts.

其他應收賬款的公平值接近其賬面值。

12. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

12. 已抵押銀行存款及現金及現金等值物

Pledged bank deposits were held by banks as collateral of the Group's banking facilities available for the Group's bills payable and for issuing letters of credit.

已抵押銀行存款由銀行持有，作為本集團可動用作本集團應付票據及發出信用狀的銀行融資的抵押品。

The effective interest rate on pledged bank deposits was 0.7% (2004: 0.7%).

已抵押銀行存款的有效息率為0.7%（二零零四年：0.7%）

Cash and cash equivalents were:

現金及現金等值物為：

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Cash at bank and in hand	銀行及手頭現金	259,972	87,688	367	7,618
Short-term bank deposits	短期銀行存款	—	159,557	—	159,557
		259,972	247,245	367	167,175

The effective interest rate on short-term bank deposits as at 31 December 2004 was 0.3%; these deposits have an average maturity of 22 days.

於二零零四年十二月三十一日的短期銀行存款的有效利率為0.3%；此等存款的平均還款期為22日。

12. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

As at 31 December 2005, approximately RMB217,188,000 (2004: RMB78,788,000) of the Group's pledged bank deposits and cash and cash equivalents were denominated in RMB yuan, which is not a freely convertible currency in the international market. The exchange rate of RMB yuan is determined by the Chinese Government, and the remittance of these funds out of Mainland China is subject to the exchange restrictions imposed by the Chinese Government.

13. TRADE PAYABLES

Trade payables	應付貿易款項
Bills payable	應付票據

The ageing analysis of the trade payables was as follows:

0 to 90 days	0至90日
91 to 180 days	91至180日
181 days to 1 year	181日至1年
Over 1 year	1年以上

12. 已抵押銀行存款及現金及現金等值物 (續)

於二零零五年十二月三十一日，本集團已抵押銀行存款及現金及現金等價物中約人民幣217,188,000元（二零零四年：人民幣78,788,000元）的現金及現金等值物均以人民幣結算，而人民幣並非國際市場上可自由兌換的貨幣。人民幣的兌匯率乃由中國政府決定，從中國大陸匯出該等款項須遵守中國政府所實施的外匯管制規定。

13. 應付貿易款項

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
164,269	65,535
3,000	—
167,269	65,535

應收貿易款項的賬齡分析如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
155,815	62,874
6,884	1,055
2,337	500
2,233	1,106
167,269	65,535

14. ACCRUALS AND OTHER PAYABLES

14. 應計費用及其他應付賬款

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Accrued wages and salaries	應計工資及薪酬	14,550	13,220	—	312
Other accrued expenses	其他應計開支	11,165	5,792	2,828	2,778
Deposits from customers	客戶按金	9,893	8,716	—	—
Other deposits	其他按金	5,743	1,959	—	—
Payable for purchase of property, plant and equipment	購買物業、廠房及設備應付賬款	33,582	—	—	—
Payables for purchase of property, plant and equipment from liquidated state-owned companies	購買清盤國有企業物業、廠房及設備應付賬款	8,686	14,665	—	—
Other payables	其他應付賬款	20,118	14,771	—	40
Taxation payables other than enterprise income tax ("EIT")	應付稅項(企業所得稅除外)	6,754	3,996	—	—
		110,491	63,119	2,828	3,130

Included in deposits from customers were amounts due to related parties of RMB247,000 as at 31 December 2005 (2004: Nil) (Note 32(d)).

應付貿易款項包括於二零零五年十二月三十一日的應付關聯方款項人民幣247,000元(二零零四年:零元)(附註32(d))。

15. BORROWINGS

15. 借貸

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Current	即期		
– Unsecured bank loans	— 無抵押銀行貸款	128,405	119,400
– Unsecured government loans	— 無抵押政府貸款	11,500	—
		139,905	119,400
– Secured bank loans	— 有抵押銀行貸款	138,900	108,532
		278,805	227,932
Non-current	非即期		
– Unsecured bank loans	— 無抵押銀行貸款	72,913	—
Total borrowings	借貸總額	351,718	227,932

15. BORROWINGS (Continued)

Bank loans bore interest at rates ranging from 5.0% to 8.0% per annum for the year ended 31 December 2005 (2004: 5.0% to 8.0%).

Government loans are unsecured, non-interest bearing and have no pre-determined terms of repayment.

Certain bank loans were secured by the followings:

- (i) pledge of the Group's land use rights of approximately RMB36,510,000 as at 31 December 2005 (2004: RMB15,187,000) (Note 7);
- (ii) pledge of the Group's property, plant and equipment of approximately RMB122,375,000 as at 31 December 2005 (2004: RMB139,215,000) (Note 6);
- (iii) pledge of the Group's inventories of RMB14,203,000 (2004: Nil) (Note 9);
- (iv) pledge of the Group's bank deposits of RMB Nil (2004: RMB7,114,000) (Note 12);
- (v) pledge of the Group's bills receivable of RMB Nil (2004: RMB2,000,000) (Note 10); and
- (vi) corporate guarantees provided by subsidiaries of RMB201,032,000 (2004: RMB109,500,000).

In addition, Mr. Hong Tianzhu, chairman/executive director, has undertaken to maintain at least 30% equity interest in the Company unless otherwise agreed by the relevant bank in respect of the provision of the unsecured non-current bank loans.

15. 借貸 (續)

截至二零零五年十二月三十一日止年度的銀行貸款以年利率5.0%至8.0% (二零零四年: 5.0%至8.0%) 計算利息。

政府貸款為無抵押、無附息及無預定償還期。

若干銀行貸款以下列項目作擔保:

- (i) 於二零零五年十二月三十一日, 抵押本集團土地使用權約人民幣36,510,000元 (二零零四年: 人民幣15,187,000元) (附註7);
- (ii) 於二零零五年十二月三十一日, 抵押本集團的物業、廠房及設備約人民幣122,375,000元 (二零零四年: 人民幣139,215,000元) (附註6);
- (iii) 抵押本集團存貨為數人民幣14,203,000元 (二零零四年: 零) (附註9);
- (iv) 抵押本集團銀行結餘為零 (二零零四年: 人民幣7,114,000元) (附註12);
- (v) 抵押本集團應收票據款項為零 (二零零四年: 人民幣2,000,000元) (附註10); 及
- (iv) 附屬公司提供的企業擔保為人民幣201,032,000元 (二零零四年: 人民幣109,500,000元)。

此外, 主席/執行董事洪天祝先生已承諾, 除非得有關銀行同意提供無抵押非即期銀行貸款, 否則最少維持持有本公司股本權益30%。

15. BORROWINGS (Continued)

The maturity of borrowings is as follows:

		Group 本集團			
		Bank loans 銀行貸款		Government loans 政府貸款	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within 1 year	1年之內	267,305	227,932	11,500	—
Between 1 and 2 years	1至2年	7,544	—	—	—
Between 2 and 5 years	2至5年	65,369	—	—	—
		340,218	227,932	11,500	—

The effective interest rates at the balance sheet date were as follows:

15. 借貸 (續)

借貸之到期日為如下:

於結算日的有效稅率為如下:

		Group 本集團			
		Bank loans 銀行貸款		Government loans 政府貸款	
		2005 二零零五年	2004 二零零四年	2005 二零零五年	2004 二零零四年
US Dollar	美元	6.9%	—	—	—
RMB Yuan	人民幣元	5.8%	5.4%	—	—

The carrying amounts of borrowings approximate their fair value.

借貸的賬面值接近其公平值。

The carrying amounts of borrowings are denominated in the following currencies:

借貸的賬面值按以下貨幣計值:

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
US Dollar	美元	72,913	—
RMB Yuan	人民幣元	278,805	227,932
		351,718	227,932

15. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

15. 借貸 (續)

本集團有以下未動用借貸融資：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Fixed rate – expiring within one year	固定利率 – 於一年內到期	27,600	60,100

16. SHARE CAPITAL

16. 股本

			Ordinary shares of HK\$0.1 each 每股面值0.1港元的普通股 Number of shares 股份數目 '000 千股	HK\$'000 人民幣千元
Authorised:	法定：			
On incorporation at 12 July 2004	於二零零四年七月 十二日註冊成立時	(i)	1,000	100
Increase in authorised share capital on 21 November 2004	於二零零四年十一月 二十一日法定 股本增加	(ii)	3,999,000	399,900
At 31 December 2004 and 2005	二零零四年及二零零五年 十二月三十一日		4,000,000	400,000
Issued:	已發行：			
On 27 July 2004	於二零零四年 七月二十七日	(iii)	1,000	100
Share allotted and issued on 21 November 2004 to acquire subsidiaries	於二零零四年十一月 二十一日收購 附屬公司而配發 及發行的股份	(iv)	1,000	100
Share allotted and issued on 21 November 2004	於二零零四年十一月 二十一日配發及 發行的股份	(v)	695,600	69,560
New issue of shares	發行新股	(vi)	174,400	17,440
At 31 December 2004 and 2005	二零零四年及二零零五年 十二月三十一日		872,000	87,200

16. SHARE CAPITAL (Continued)

Notes—

- (i) The Company was incorporated in Cayman Islands on 12 July 2004 with an authorised capital of 1,000,000 shares with par value HK\$0.1 each.
- (ii) Pursuant to shareholders' resolutions passed on 21 November 2004, the authorised share capital was increased from HK\$100,000 (1,000,000 shares of HK\$0.1 each) to HK\$400,000,000 (4,000,000,000 shares of HK\$0.1 each) by the creation of an additional 3,999,000,000 new shares of HK\$0.1 each.
- (iii) On 27 July 2004, 1,000,000 shares were allotted and issued nil paid.
- (iv) On 21 November 2004, as part of the Reorganisation, the Company (i) allotted and issued, credited as fully paid, 1,000,000 shares, and (ii) credited as fully paid at par the 1,000,000 shares issued and nil paid, as consideration for the acquisition of Texhong Textile Holdings Limited, pursuant to the Reorganisation.
- (v) Pursuant to a shareholders' resolution passed on 21 November 2004, the directors were authorised to capitalise HK\$69,560,000 standing to the credit of the share premium account of the Company after a proposed initial public offering of the Company's shares (see (vi) below) to issue 695,600,000 shares, credited as fully paid, to the Company's shareholders at close of business on 21 November 2004 in proportion to their then existing shareholdings in the Company.
- (vi) On 9 December 2004, the Company issued 174,400,000 shares at HK\$1.15 each in connection with an initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

16. 股本 (續)

附註—

- (i) 本公司於二零零四年七月十二日在開曼群島註冊成立，法定股本為1,000,000股每股面值0.1港元的股份。
- (ii) 根據於二零零四年十一月二十一日通過的股東決議案，透過額外增設每股面值0.1港元的3,999,000,000股新股份，法定股本由100,000港元（由每股面值0.1港元的1,000,000股股份組成）增加至400,000,000港元（由每股面值0.1港元的4,000,000,000股股份組成）。
- (iii) 於二零零四年七月二十七日，配發及發行未繳的1,000,000股股份。
- (iv) 於二零零四年十一月二十一日，作為重組的一部份，本公司(i)配發及發行，入賬列作繳足的1,000,000股股份；及(ii)將1,000,000股已發行及未繳股份列作按面值繳足，作為根據重組而收購天虹紡織控股有限公司的代價。
- (v) 根據於二零零四年十一月二十一日通過的股東決議案，於本公司發行695,600,000股入賬列作繳足股份的首次公開發售建議（見下文(vi)項）之後，董事獲授權於二零零四年十一月二十一日營業時間結束時將本公司股份溢價賬的進賬69,560,000港元撥充資本，按本公司當時既有股權比例撥作股東資金。
- (vi) 於二零零四年十二月九日，就本公司在香港聯合交易所有限公司主板上市首次公開發售股份，本公司按每股1.15港元發行174,400,000股股份。

17. SHARE OPTIONS**(i) Pre-IPO Share Option Scheme**

On 21 November 2004, the Company granted 4,342,000 options to certain senior management of the Group under a Pre-IPO Share Option Scheme to subscribe for shares in the Company at HK\$0.69 per share, exercisable over the period from 9 June 2005 to 8 June 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All options have remained outstanding as at 31 December 2005.

The fair value of options determined using the Black-Scholes valuation model was RMB433,000. The significant inputs into the model were share price of HK\$0.69 per share at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, expected life of options of 0.5 years, expected dividend paid out rate of zero and annual risk-free interest rate of 2.88%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the year after the Group's IPO.

17. 購股權**(i) 購股權計劃**

於二零零四年十一月二十一日，本公司根據首次公開發售前購股權計劃向若干本集團高級管理層授出4,342,000份購股權，以按每股0.69港元之價格認購本公司之股份。此等購股權可於二零零五年六月九日至二零零八年六月八日期間行使。本集團並無法律或實際責任以現金購回或清償購股權。所有購股權於二零零五年十二月三十一日尚未行使。

由柏力克—舒爾斯定價模式確定的購股權公平值為人民幣433,000元。該模型的主要參數為：於授出日股價每股0.69港元、上述行使價、預期股票回報標準差30%、預期購股權年期0.5年、預期股息回報率零及每年零風險利率2.88%。預期股價回報標準差的波幅乃按本集團首次公開發售後各年的每日股價統計分析計算。

17. SHARE OPTIONS

(ii) Post-IPO Share Option Scheme

Pursuant to a shareholders' resolution passed on 21 November 2004, the Company adopted a share option scheme ("the Share Option Scheme"), which will remain in force for a period of 10 years up to November 2014. Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any employee, director, supplier of goods or services, customer, person or entity that provides research, development or other technological support to the Group, shareholder and adviser or consultant of the Group to subscribe for shares in the Company at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date of the offer of grant; or (ii) the average closing price of shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of a share. A nominal consideration of HK\$1 (equivalent of RMB1.04) is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group from time to time must not in aggregate exceed 30% of the share capital of the Company in issued from time to time. At 31 December 2005, no options had been granted under the Share Option Scheme.

17. 購股權

(ii) 首次公開發售後購股權計劃

根據本公司二零零四年十一月二十一日之股東決議案，本公司已批准採納一項購股權計劃（「購股權計劃」），於截至二零一四年十一月止十年期間將仍屬有效。根據購股權計劃，本公司董事可全權酌情向任何僱員、董事、貨品或服務供應商、客戶、為本集團提供研究、發展或其他技術支援的個人或實體、股東及本集團顧問或諮詢人授出購股權，以認購本公司股份，惟價格不低於下列較高者：(i)於授出要約日期在香港聯合交易所有限公司（「聯交所」）每日報價表所列出的股份收市價；或(ii)於緊接授出要約日期前五個交易日的聯交所每日報價表所列出的股份平均收市價；或(iii)股份的面值。1港元的名義代價於（相當於人民幣1.04元）於接納授出購股權要約時支付。在購股權計劃及本集團不時採納的任何其他購股權計劃以下所有授出有待行使購股權獲行使時最高可予發行的股份數目合計不得超過本公司不時發行股本的30%。於二零零五年十二月三十一日，概無購股權根據購股權計劃授出。

18. OTHER RESERVES AND RETAINED EARNINGS

18. 其他儲備及保留溢利

		Group 本集團					
		Other reserves 其他儲備					
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve ⁽ⁱ⁾ 資本儲備 ⁽ⁱ⁾ RMB'000 人民幣千元	Statutory reserves ⁽ⁱⁱ⁾ 法定儲備 ⁽ⁱⁱ⁾ RMB'000 人民幣千元	Revaluation reserve 重估儲備 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	Retained earnings 保留溢利 RMB'000 人民幣千元
Balance at 1 January 2004	於二零零四年一月一日的結餘	-	56,977	23,235	-	80,212	136,423
Capital injection into subsidiaries before the Reorganisation	重組前注資於附屬公司	-	105,064	-	-	105,064	-
Profit for the year	年內溢利	-	-	-	-	-	137,048
Surplus on revaluation of buildings	重估土地及樓宇的盈餘	-	-	-	-	-	-
- gross (Note 6)	—毛額(附註16)	-	-	-	45,909	45,909	-
- deferred income tax (Note 19)	—遞延所得稅(附註19)	-	-	-	(12,055)	(12,055)	-
Premium on issue of shares	發行股份溢價	194,967	-	-	-	194,967	-
Share issue costs	發行股份成本	(19,583)	-	-	-	(19,583)	-
Transfer to statutory reserves	轉撥至法定儲備	-	-	14,093	-	14,093	(14,093)
Dividends relating to 2003	二零零三年股息	-	-	-	-	-	(194,176)
Balance at 31 December 2004	於二零零四年十二月三十一日的結餘	175,384	162,041	37,328	33,854	408,607	65,202
Balance at 1 January 2005, as above	於二零零五年一月一日的結餘·如上	175,384	162,041	37,328	33,854	408,607	65,202
Opening adjustment for the adoption of HKFRS 3	採納香港財務申報準則第3號的期初調整	-	-	-	-	-	9,020
Balance at 1 January 2005, as restated	於二零零五年一月一日的結餘·經重列	175,384	162,041	37,328	33,854	408,607	74,222
Profit for the year	年度溢利	-	-	-	-	-	180,210
Employee share option scheme	僱員購股權計劃	-	-	-	-	-	-
- value of employee services	—僱員服務價值	433	-	-	-	433	-
Transfer to statutory reserves	轉撥至法定儲備	-	-	21,167	-	21,167	(21,167)
Transfer of revaluation reserves to retained earnings	轉撥重估儲備至保留溢利	-	-	-	-	-	-
- gross	—毛額	-	-	-	(3,009)	(3,009)	3,009
- deferred income tax (Note 19)	—遞延所得稅(附註19)	-	-	-	311	311	(311)
Balance at 31 December 2005	於二零零五年十二月三十一日的結餘	175,817	162,041	58,495	31,156	427,509	235,963

18. OTHER RESERVES AND RETAINED EARNINGS
(Continued)

18. 其他儲備及保留溢利 (續)

		Company 本公司			Retained earnings/ (Accumulated losses)
		Other reserves 其他儲備			保留溢利/ (累計虧損)
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserves(i) 資本儲備(i) RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	RMB'000 人民幣千元
Loss for the year	年內虧損	-	-	-	(3,933)
Difference between the amount of share capital issued and the net asset value of the subsidiaries acquired	發行股份數額與收購 附屬公司資產淨值 的差額	-	172,319	172,319	-
Premium on issue of shares	發行股份溢價	194,967	-	194,967	-
Share issue costs	發行股份成本	(19,583)	-	(19,583)	-
Balance at 31 December 2004	於二零零四年十二月 三十一日的結餘	175,384	172,319	347,703	(3,933)
Balance at 1 January 2005	於二零零五年 一月一日的結餘	175,384	172,319	347,703	(3,933)
Profit for the year	年度溢利	-	-	-	64,939
Employee share option scheme	僱員購股權計劃				
- value of employee services	一僱員服務價值	433	-	433	-
Balance at 31 December 2005	於二零零五年十二月 三十一日的結餘	175,817	172,319	348,136	61,006

18. OTHER RESERVES AND RETAINED EARNINGS (Continued)

- (i) Capital reserve represents the difference between the amount of share capital issued and the net asset value of the subsidiaries acquired.
- (ii) According to the rules and regulations in Mainland China and the articles of association of the relevant subsidiaries of the Group established in Mainland China, the Mainland China subsidiaries are required to transfer not less than 10% of its after-tax profits, as determined under the relevant accounting rules and regulations in Mainland China, to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such transfer is not required when the amount of the statutory reserve reaches 50% of the corresponding subsidiaries' registered capital.

Statutory reserves shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval by resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure.

18. 其他儲備及保留溢利 (續)

- (i) 資本儲備指發行股份數額與所收購附屬公司股份的資產淨值的差額。
- (ii) 根據中國規則及法規及本集團於中國大陸成立的有關附屬公司的組織章程細則，中國大陸附屬公司均須先行將根據中國大陸有關會計規則及法規所定的除稅後溢利其中不少於10%撥入法定儲備，相關中國大陸附屬公司方可派發股息。倘法定儲備的金額已達相關附屬公司註冊資本的50%，則無需作出此撥款。

法定儲備僅可用於抵銷相關附屬公司虧損、擴充相關附屬公司生產規模或增加相關附屬公司股本。當獲得相關附屬公司股東於股東大會上以決議案通過，相關附屬公司則可將其法定儲備轉換成註冊股本，並按現有股東的持股比例向彼等發行紅股。

19. DEFERRED INCOME TAX

Deferred income tax are calculated in full on temporary differences under the liability method.

The movements in deferred income tax account were as follows:

19. 遞延所得稅

遞延稅項採用負債法就短暫差異作全數撥備。

遞延所得稅賬的變動如下：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Deferred income tax assets:	遞延所得稅資產：		
At 1 January	於一月一日	—	—
Recognised in the income statement:	於損益表確認：		
– in respect of tax losses to be carried forward (Note 23)	— 結轉的稅項虧損 (附註23)	1,208	—
– in respect of temporary differences (Note 23)	— 暫時差異 (附註23)	2,220	—
		3,428	—
At 31 December	於十二月三十一日	3,428	—
Deferred income tax liabilities:	遞延所得稅負債：		
At 1 January	於一月一日	12,012	—
Charged to equity (Note 18)	於股本扣除 (附註18)	(268)	(43)
Charged to equity in relation to the revaluation reserve of buildings (Note 18)	就樓宇重估儲備於股本扣除 (附註18)	—	12,055
		11,744	12,012
At 31 December	於十二月三十一日	11,744	12,012

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB3,249,000 (2004: RMB1,870,000) in respect of losses amounting to RMB9,866,000 (2004: RMB9,029,000) that can be carried forward against future taxable income. The deferred tax benefit of such tax losses was not recognised as it was not probable that future taxable profit will be available against which the tax losses can be utilised. Losses amounting to RMB Nil (2004: RMB9,000), RMB Nil (2004: RMB2,377,000), RMB Nil (2004: RMB2,891,000), RMB Nil (2004: RMB1,890,000), RMB Nil (2004: RMB1,862,000) and RMB9,866,000 (2004: Nil) expire in 2005, 2006, 2007, 2008, 2009 and 2010, respectively.

遞延所得稅資產乃就結轉之稅項虧損確認，惟以有可能透過日後之應課稅溢利變現有關稅項利益為限。本集團並無就人民幣9,866,000元（二零零四年：9,029,000元）的虧損（可結轉至將來應課稅收入）確認遞延所得稅資產人民幣3,249,000元（二零零四年：人民幣1,870,000元）。因未來無足夠的應課稅利潤可用作抵銷待彌補稅務虧損，故並無確認該稅項虧損的遞延稅項利益。於二零零五年、二零零六年、二零零七年、二零零八年、二零零九年及二零一零年到期之虧損分別為人民幣零元（二零零四年：人民幣9,000元）、人民幣零元（二零零四年：人民幣2,377,000元）、人民幣零元（二零零四年：人民幣2,891,000元）、人民幣零元（二零零四年：人民幣1,890,000元）、人民幣零元（二零零四年：人民幣1,862,000元）及人民幣9,866,000元（二零零四年：零）。

20. TURNOVER, REVENUE AND SEGMENT INFORMATION**(i) Turnover and other gains**

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics and dyed fabrics. Revenues recognised are as follows:

Turnover	營業額
Sales of goods (exclude value-added tax)	貨品銷售 (不包括增值稅)
Other gains	其他收入
Subsidy income	補助收入
Interest income	利息收入
Commission income	佣金收入
Rental income – machinery and equipment	租金收入 – 機械及設備

20. 營業額、收益及分類資料**(i) 營業額及其他收益**

本集團主要業務為製造及銷售紗線、坯布及染色布料。確認的收益如下：

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Turnover	1,915,965	1,415,852
Other gains	8,984	8,648
Subsidy income	3,442	480
Interest income	2,704	–
Commission income	–	250
Rental income – machinery and equipment	15,130	9,378
	1,931,095	1,425,230

(ii) Segment information

The Group operated in one business segment – manufacturing and sale of yarns, grey fabrics and dyed fabrics. It operates principally in one geographical segment – Mainland China. Substantially all of the Group's assets and capital expenditure were located in Mainland China. Accordingly, no analysis of the segment information is presented.

(ii) 分類資料

本集團所經營為單一業務分類 – 製造及銷售紗線、坯布及染色布料。本集團主要在單一地區 – 中國大陸經營業務，大部份資產及資本開支均設置於中國大陸。因此，並無呈列分類資料。

21. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and general and administrative expenses are analysed as follows:

Cost of inventories (Note 9)	存貨成本(附註9)
Employment costs (Note 27)	僱員成本(附註27)
Depreciation and amortisation (Note 6 and 7)	折舊及攤銷(附註6及7)
Amortisation of negative goodwill (Note 5)	攤銷負商譽(附註5)
Utilities	動力及燃料
Transportation	運輸
Auditors' remuneration	核數師酬金

21. 開支(以性質分類)

開支包括銷售貨品成本、銷售及市場推廣成本及一般及行政開支，分析如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
1,350,205	1,006,427
137,897	88,141
35,861	27,543
—	(1,258)
96,773	61,931
32,921	18,850
3,004	2,500

22. FINANCE COSTS

Interest on bank borrowings wholly repayable within 5 years	須於五年內悉數償還的銀行貸款的利息
Other incidental borrowing costs	其他臨時借貸成本
Total borrowing costs incurred	產生的借貸成本總額
Less: amount capitalised in property, plant and equipment (Note 6)	減：撥入物業、廠房及設備的數額(附註6)

22. 財務費用

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
21,964	12,685
—	508
21,964	13,193
(2,050)	—
19,914	13,193

The capitalisation rate was approximately 6.9% per annum, representing the weighted average rate of the costs of borrowing used to finance the Group's construction of property, plant and equipment.

資本化率約為每年6.9%，為支付本集團興建物業、廠房及設備的借貸成本的加權平均率。

23. INCOME TAX EXPENSE

The amount of taxation charged to the consolidated income statement represents:

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Current income tax	當期所得稅		
Mainland China enterprise income tax ("EIT")	中國大陸企業所得稅	20,561	10,573
Deferred income tax (Note 19)	遞延所得稅 (附註19)		
In respect of tax losses to be carried forward	結轉稅項虧損	(1,208)	—
In respect of temporary differences	暫時差異	(2,220)	—
In respect of buildings revaluation	樓宇重估	(268)	(43)
		16,865	10,530

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2004: Nil).

(ii) Mainland China enterprise income tax ("EIT")

The subsidiaries established in Mainland China are subject to EIT at rates ranging from 15% to 33% during the year.

Except for Texhong (China) Investment Co., Ltd., an intermediate holding company within the Group, the subsidiaries, being wholly foreign owned enterprises established in Mainland China, have obtained approvals from the relevant Mainland China Tax Bureau for their entitlement of exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

23. 所得稅開支

於合併損益表扣除的稅項金額指：

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
當期所得稅		
中國大陸企業所得稅	20,561	10,573
遞延所得稅 (附註19)		
結轉稅項虧損	(1,208)	—
暫時差異	(2,220)	—
樓宇重估	(268)	(43)
	16,865	10,530

(i) 香港利得稅

由於本集團於年內並無在香港進行任何業務，故並無就香港利得稅作出撥備（二零零四年：零）。

(ii) 中國大陸企業所得稅（「企業所得稅」）

於中國大陸成立的附屬公司須於年內按企業所得稅率15%至33%繳納企業所得稅。

除本集團內之中介控股公司天虹（中國）投資有限公司外，該等附屬公司為於中國大陸成立的外資獨資企業，並已根據適用於中國大陸外資企業的有關稅項規則及規定，取得有關中國大陸稅務局之批准，有權於抵銷所有過往年度結轉的所有未到期應稅虧損後首個獲利年度起，免繳企業所得稅2年，其後3年則獲稅率減半優惠。

23. INCOME TAX EXPENSE (Continued)**(iii) Overseas income tax**

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using EIT rates in Mainland China, where the Group principally operates, as follows:

23. 所得稅開支 (續)**(iii) 海外所得稅**

本公司根據開曼群島公司法於開曼群島註冊成立為獲豁免有限公司，因此，本公司獲豁免繳納開曼群島所得稅。本公司於英屬處女群島成立的附屬公司按英屬處女群島國際商業公司法註冊成立，因此獲豁免繳納英屬處女群島所得稅。

本集團除稅前溢利的稅款與根據中國（本集團主要經營地點）企業所得稅率理論上的計算數額不同，差異如下：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Profit before income tax	除稅前溢利	197,075	147,578
Tax calculated at tax rates applicable to subsidiaries	按適用於附屬公司的稅率計算稅項	63,847	45,135
Income tax credit granted for qualified purchase of domestic equipment	就購買符合規格內地設備的稅項抵免	—	(1,995)
Income not subject to tax	毋須課稅的收入	(50,075)	(33,221)
Expenses not deductible for tax purposes	未就稅項扣減的開支	1,650	692
Utilisation of previously unrecognised tax losses	抵銷之前未確認稅項虧損	(598)	(582)
Tax losses for which no deferred income tax asset was recognised	無確認遞延所得稅資產的稅項虧損	3,249	501
Deferred income tax assets recognised for previously unrecognised tax losses	就之前未確認稅項虧損確認遞延所得稅資產	(1,208)	—
Tax expense	稅務費用	16,865	10,530

The weighted average applicable tax rate was 32% (2004: 31%).

加權平均應用稅率為32%（二零零四年：31%）

24. PROFIT ATTRIBUTABLE TO EQUITYHOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB64,939,000 (2004: loss of RMB3,933,000).

25. DIVIDENDS

A dividend in respect of 2005 of HK\$0.065 per ordinary share, amounting to a total dividend of HK\$56,680,000 (equivalent to RMB59,296,000) is to be proposed at the Annual General Meeting on 18 May 2006. These financial statements do not reflect this dividend payable.

Proposed final dividend of HK\$0.065 (2004: Nil) per ordinary share
建議末期股息
每股0.065港元
(二零零四年: 零)

Dividends of RMB194,176,000 during the year ended 31 December 2004 represented dividends declared by subsidiaries to their then shareholders prior to the completion of the Reorganisation as described in Note 1.

26. EARNINGS PER SHARE**Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders of the Company	本公司股權持有人應佔溢利
Weighted average number of ordinary shares in issue (thousand)	已發行普通股股份加權平均數(千)
Basic earnings per share (RMB per share)	每股基本盈利(每股人民幣)

24. 股權持有人應佔溢利

股東應佔溢利已計及本公司財務報表內人民幣64,939,000元的虧損。(二零零四年:虧損人民幣3,933,000元)。

25. 股息

將於二零零六年五月十八日舉行之股東週年大會建議就二零零五派付股息0.065港元,合共約56,680,000港元(相等於人民幣59,296,000元)。此等財務報表並無反映此應付股息。

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
59,296	194,176

截至二零零四年十二月三十一日止年度股息人民幣194,176,000元,為於附註1所述的重組完成前附屬公司向彼等當時的股東宣派的股息。

26. 每股盈利**基本**

每股基本盈利乃按本公司股權持有人應佔溢利除以年內已發行普通股股份的加權平均數計算。

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
180,210	137,048
872,000	708,590
0.21	0.19

26. EARNINGS PER SHARE (Continued)

Diluted

Diluted earning per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all share options. For share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

26. 每股盈利 (續)

攤薄

每股攤薄盈利乃按調整已發行普通股股份的加權平均數計算，假設所有購股權已轉換。就購股權而言，將按未行使購股權所附的認購權的貨幣值為基準計算以釐定可以公平值（以本公司平均年度市場價值計算）收購的股份數目。按上述方法計出的股份數目與已發行股份數目（假設購股權已獲行使）作出比較。

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Profit attributable to equity holders of the Company	本公司股權持有人應佔溢利	180,210	137,048
Weighted average number of ordinary shares in issue (thousand)	已發行普通股股份加權平均數(千)	872,000	708,590
Adjustments for share options (thousand)	就購股權作出的調整(千)	1,737	190
Weighted average number of ordinary shares for diluted earnings per share (thousand)	每股攤薄盈利普通股股份加權平均數(千)	873,737	708,780
Diluted earnings per share (RMB per share)	每股攤薄盈利(每股人民幣)	0.21	0.19

27. EMPLOYMENT COSTS

27. 員工成本

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Wages, salaries and bonuses	工資、薪酬及花紅	117,015	74,141
Share options granted to directors and employees (Note 17)	授予董事及僱員的購股權計劃(附註17)	433	—
Pension costs (defined contribution plans (Note (a)))	退休成本—界定供款計劃(附註(a))	12,122	8,273
Other employment benefits	其他僱員福利	8,327	5,727
		137,897	88,141

27. EMPLOYMENT COSTS (Continued)**(a) Pensions – defined contribution plans**

As stipulated by rules and regulations in Mainland China, the Group has participated in state-sponsored defined contribution retirement plans for its employees in Mainland China. The Group and the eligible employees are required to contribute 12% to 22% and 7% to 8%, respectively, of the employees' basic salary at rates as stipulated by the relevant municipal governments. The Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees. For the year ended 31 December 2005, the Group contributed approximately RMB7,653,000 (2004: RMB6,785,000) to the aforesaid state-sponsored retirement plans. As at 31 December 2005, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2004: Nil).

In addition, all of the Group's employees in Mainland China participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by governmental authorities. For the year ended 31 December 2005, the Group contributed approximately RMB6,401,000 (2004: RMB5,433,000) to these plans.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident fund legislation, and both the Group and the employees' contributions are subject to a cap of HK\$1,000 per month. For the year ended 31 December 2005, the Group contributed approximately RMB24,000 (2004: RMB3,000) to the MPF Scheme.

27. 員工成本 (續)**(a) 退休 – 界定供款計劃**

根據中國大陸規則及法規規定，本集團已為其中中國大陸僱員參與國家資助的定額供款退休計劃。本集團及合資格僱員須分別就僱員基本薪金的12%至22%及7%至8%作出供款，比率由有關市政府規定。除此項年度供款外，本集團對其任何實際退休金支出或退休後福利則毋須再作任何承擔，退休僱員的所有退休金支出概由國家資助退休計劃承擔。截至二零零五年十二月三十一日止年度，本集團向上述國家資助退休計劃分別供款約人民幣7,653,000元（二零零四年：人民幣6,785,000元）。於二零零五年十二月三十一日，本集團並無獲得任何沒收的供款的權利以減低本集團於上述供款計劃日後的供款（二零零四年：無）。

另外，本集團所有中國大陸僱員均參與由政府部門舉辦及統籌的僱員社會保障計劃，該等計劃包括醫療福利、房屋福利及其他福利。截至二零零五年十二月三十一日止年度，本集團向此等計劃供款約人民幣6,401,000元（二零零四年：人民幣5,433,000元）。

本集團已安排香港僱員參加強制性公積金計劃（「強積金計劃」），屬於由獨立信託人管理的界定供款計劃。於強積金計劃，本集團及其各位香港僱員兩者均會按強積金法例所界定的僱員收入5%向計劃供款。本集團及僱員供款設有每月1,000港元的上限。截至二零零五年十二月三十一日止年度，本集團向強積金計劃供款約人民幣24,000元（二零零四年：人民幣3,000元）。

27. EMPLOYMENT COSTS (Continued)

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2005 is set out below:

Name of Director	董事姓名	Fees	Salaries	Bonuses	Other	Employer's contribution to pension scheme	Total	
		袍金	薪金	花紅	其他福利	退休計劃	僱主供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors	執行董事							
Hong Tianzhu	洪天祝	–	1,018	–	11	17	1,046	
Zhu Yongxiang	朱永祥	–	763	625	11	17	1,416	
Gong Zhao	龔照	–	382	348	11	17	758	
Tang Daoping	湯道平	–	382	625	11	17	1,035	
Non-executive directors	獨立非執行董事							
Ting Leung Huel, Stephen	丁良輝先生	153	–	–	–	–	153	
Cheng Longdi	程隆棟先生	51	–	–	–	–	51	
Zhu Lanfen	朱蘭芬女士	51	–	–	–	–	51	
		255	2,545	1,598	44	68	4,510	

The remuneration of every director for the year ended 31 December 2004 is set out below:

截至二零零五年十二月三十一日應付予本公司董事的酬金總額如下：

Other benefits 其他福利 RMB'000 人民幣千元	Employer's contribution to pension scheme 退休計劃 僱主供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
11	17	1,046
11	17	1,416
11	17	758
11	17	1,035
–	–	153
–	–	51
–	–	51
44	68	4,510

截至二零零四年十二月三十一日止年度，應付予本公司董事的酬金總額如下：

截至二零零四年十二月三十一日止年度，應付予本公司董事的酬金總額如下：

27. EMPLOYMENT COSTS (Continued)**(b) Directors' emoluments (Continued)**

None of the directors waived any emoluments during the years ended 31 December 2005 and 2004.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: one) individual are as follows:

Basic salaries and allowances	基本薪金及津貼
Bonuses	花紅
Pensions cost – defined contribution plan	退休金 – 界定供款計劃

27. 員工成本 (續)**(b) 董事酬金 (續)**

於截至二零零五年及二零零四年十二月三十一日止年度並無董事放棄收取任何酬金。

(c) 五位最高薪酬人士

於有關年間，本集團五位薪酬最高人士其中四位（二零零四年：四位）為董事，其酬金已於上文呈列的分析內反映。於有關年間，應付予餘下一位（二零零四年：一位）人士之酬金如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
132	325
983	—
17	3
1,132	328

28. NET FOREIGN EXCHANGE LOSSES/(GAINS)

The exchange differences recognised in the income statement are included as follow:

General and administrative expenses	一般及行政開支
-------------------------------------	---------

28. 外匯虧損／（收益）淨額

於損益表確認之兌換差額包括在以下項目：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
3,527	(771)

29. CASH GENERATED FROM OPERATIONS

29. 營運所得現金

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Profit for the year	年度溢利	180,210	137,048
Adjustments for:	經調整以下各項:		
– Tax (Note 23)	– 稅項 (附註23)	16,865	10,530
– Depreciation (Note 6)	– 折舊 (附註6)	34,949	27,043
– Amortisation (Note 7)	– 攤銷 (附註7)	912	500
– Amortisation of negative goodwill (Note 5)	– 攤銷負商譽 (附註5)	–	(1,258)
– Profit on sale of property, plant and equipment (see below)	– 銷售物業、廠房及設備所得溢利 (見下文)	(646)	(199)
– Interest income (Note 20)	– 利息收入 (附註20)	(3,442)	(480)
– Interest expense (Note 22)	– 利息支出 (附註22)	19,914	12,685
– Employee share option costs (Note 17)	– 僱員購股權計劃 (附註17)	433	–
Changes in working capital	營運資金變動		
– Inventories	– 存貨	(102,277)	(32,242)
– Trade and bills receivable	– 應收貿易及票據款項	(30,182)	(27,718)
– Prepayments, deposits and other receivables	– 預付款項、訂金及其他應收款項	(19,271)	37,048
– Trade payables	– 應付貿易款項	101,734	12,720
– Accruals and other payables	– 應計及其他應付款項	13,790	22,838
Cash generated from operations	營運活動產生現金	212,989	198,515

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

於現金流量表，銷售物業、廠房及設備的所得款項包括:

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Net book amount	賬面淨值	1,914	634
Profit on sale of property, plant and equipment	銷售物業、廠房及設備所得溢利	646	199
Proceeds from sale of property, plant and equipment	銷售物業、廠房及設備的所得款項	2,560	833

30. CONTINGENT LIABILITIES

The Group had contingent liabilities not provided for as follows:

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Government grants obtained from the Management Committee of Taizhou Economic Develop Zone (Note (i))	來自泰州經濟開發區管理委員會的政府撥付 (附註(i))	21,889	21,889	—	—

The Directors of the Company and the management of the Group anticipate that no material liabilities will arise from the above contingencies.

30. 或然負債

本集團未作撥備的或然負債如下：

本公司董事及本集團的管理層預期上述或然事項不會產生重大負債。

Note –

- (i) During the year ended 31 December 2002, Taizhou Century Texhong Textile Co., Ltd., a wholly owned subsidiary, acquired a plot of land in Mainland China for RMB26,289,000 and paid RMB4,400,000, with the remaining balance of RMB21,889,000 covered by government grants (Note 7). The Group has obtained a confirmation from the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, that the amount of RMB21,889,000 represents grants to Taizhou Century Texhong Textile Co., Ltd. by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, and such an amount had been settled by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, with the relevant Land Resources Bureau of Taizhou City and the Group will not be responsible for the payment of such an amount. However, in case that the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, is not the appropriate authority responsible for the settlement, the Group may be liable to pay the balance of the acquisition cost amounting to RMB21,889,000.

附註一

- (i) 於截至二零零二年十二月三十一日止年度，全資附屬公司泰州世紀天虹紡織有限公司以人民幣26,289,000元購入一塊幅位於中國大陸的土地，已支付人民幣4,400,000元，餘款人民幣21,889,000元以政府撥付支付(附註14)。本集團已獲江蘇省泰州經濟開發區管理委員會確認，該人民幣21,889,000元為江蘇省泰州經濟開發區管理委員會給予泰州世紀天虹紡織有限公司的撥付，江蘇省泰州經濟開發區管理委員會已連同有關的泰州市土地資源管理局支付該筆款項，本集團將不負責支付該筆款項。然而，倘江蘇省泰州經濟開發區管理委員會並非支付該筆款項的適當機構，則本集團或須支付收購成本的餘額人民幣21,889,000元。

31. COMMITMENTS

(a) Capital commitments:

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

Authorised, contracted
but not provided for
– purchase of machinery
and equipment

已授權並訂約
惟未撥備
— 購買機器及設備

31. 承擔

(a) 資本承擔：

本集團於結算日的資本開支（但未產生）為如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
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61,265	1,080
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(b) Commitment in relation to capital injections into subsidiaries (Note 33):

(b) 有關注資附屬公司的承擔（附註33）：

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Xuzhou Texhong Times Textile Co., Ltd.	徐州天虹時代紡織有限公司	—	35,182	—	—
Jiangsu Century Texhong Textile Co., Ltd.	江蘇世紀天虹紡織有限公司	10,693	—	—	—
Taizhou Century Texhong Textile Co., Ltd.	泰州世紀天虹紡織有限公司	14,123	—	—	—
Nantong Century Texhong Textile Co., Ltd.	南通世紀天虹紡織有限公司	8,877	—	—	—
		33,693	35,182	—	—

31. COMMITMENTS (Continued)**(c) Operating leases:**

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

Not later than one year	一年內
Later than one year and not later than five years	一年後至五年內

31. 承擔 (續)**(c) 經營租賃：**

本集團根據不可撤銷經營租賃於未來支付的最低租賃付款總額如下：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
4,632	927
1,510	1,822
6,142	2,749

32. RELATED PARTY TRANSACTIONS

The Group is controlled by New Green Group Limited (incorporated in British Virgin Islands), which owns 45% of the Company's shares. The remaining 55% of the shares are widely held. The ultimate parent of the Group is Hong Tianzhu.

- (a)** The Company's directors and the Group's management are of the view that the following companies/individuals are related parties of the Group:

Name of related party
關聯方名稱

Hong Tianzhu
洪天祝

New Green Group Limited

Tianhong Printing and Dyeing (Wuxi)
Co., Ltd.

天虹印染(無錫)有限公司

Nantong Textile Group Co., Ltd.

南通紡織控股集團紡織染有限公司

Nantong Shuanghong Textile Co., Ltd.
南通雙虹紡織品有限公司

32. 與關聯方的交易

本集團由New Green Group Limited(於英屬處女群島註冊成立)控制，其擁有本公司45%的股份。餘下的55%股份廣泛分佈於不同人士。本集團的最終控股方為洪天祝。

- (a)** 於有關期間，本公司董事及本集團的管理層認為下列公司／人士為本集團的關聯方：

Relationship with the Group
與本集團的關係

Director
董事

Shareholder
股東

Controlled by Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu, a director
由香港天虹實業有限公司(董事洪天祝控制的公司)控制

Associate company of Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu
香港天虹實業有限公司(洪天祝控制的公司)的聯營公司

Controlled by Hong Tianzhu
由洪天祝控制

32. RELATED PARTY TRANSACTIONS (Continued)

32. 與關聯方的交易 (續)

(b) Transactions with related parties:

The Group had the following significant transactions with its related parties, as follows –

(b) 與關聯方的交易：

本集團與其關聯方進行下列重大交易如下：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	天虹印染(無錫)有限公司		
– Sales of goods	– 銷售貨品	10,242	19,427
– Purchase of goods	– 購買貨品	9,381	15,049
– Subcontracting fee	– 外判費用	150	712
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司		
– Sales of goods	– 銷售貨品	71	2,505
– Purchase of goods	– 購買貨品	1,127	–
Nantong Shuanghong Textile Co., Ltd.	南通雙虹紡織有限公司		
– Sales of goods	– 銷售貨品	–	5,451
– Purchase of goods	– 購買貨品	–	33,825
– Receipt of rental income	– 收取租金收入	–	250
– Subcontracting fee	– 外判費用	–	1,754

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

本公司董事及本集團的管理層認為上述與關聯方的交易乃於日常業務過程及根據正常商業條款進行，並且根據相關協議的條款及／或由有關各方發出的發票進行。

(c) Key management compensation

(c) 主要管理層薪酬

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Wages, salaries and bonuses	薪金、酬金及花紅	5,361	3,195
Share options granted	授出購股權	433	–
Pension costs (defined contribution plan)	退休金成本(界定供款計劃)	113	104
Other employment benefits	其他僱員福利	73	67
		5,980	3,366

32. RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties:

The Group had the following significant balances with related parties –

Trade-related:	與貿易相關:
Trade receivables (Note 10)	應收貿易款項 (附註10)
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
Deposits from customers (Note 14)	客戶訂金 (附註14)
– Nantong Textile Group Co., Ltd.	– Nantong Textile Group Co., Ltd.
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
Non-trade: Due to related parties	非貿易: 應付關連方款項
– New Green Group Limited (Note (i))	– 南通雙虹紡織有限公司 (附註(i))

Note –

- (i) This represents the balance of the dividend payable to a shareholder, and is unsecured, non-interest bearing and payable within one year.

32. 與關聯方的交易 (續)

(d) 關聯方的重大結餘:

本集團與關聯方的重大結餘如下:

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
5,304	5,483
220	–
27	–
247	–
–	25,000

附註一

- (i) 此乃應付予一股東的股息，為無抵押、免息及須於一年內償還。

33. PARTICULARS OF SUBSIDIARIES

33. 附屬公司資料

The following is a list of the significant subsidiaries at 31 December 2005:

以下表列於二零零五年十二月三十一日的重大附屬公司：

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Directly held— 直接持有—				
Texhong Textile Holdings Limited 天虹紡織控股有限公司	British Virgin Islands 26 May 2004 limited liability company 英屬處女群島 二零零四年五月二十六日 有限責任公司	Investment holding 投資控股	100 ordinary shares of US\$1 each 100股 每股1美元 普通股	100% 100%
Texhong Textile Investment Limited 天虹紡織投資有限公司	British Virgin Islands 9 December 2004 limited liability company 英屬處女群島 二零零四年十二月九日 有限責任公司	Investment holding 投資控股	1 ordinary share of US\$1 1股 每股1美元 普通股	100% 100%
New Apex International Limited 新銳國際有限公司	British Virgin Islands 21 January 2005 limited liability company 英屬處女群島 二零零五年一月二十一日 有限責任公司	Investment holding 投資控股	1 ordinary share of US\$1 1股 1美元 普通股	100% 100%
Indirectly held— 間接持有—				
Texhong Textile (Taizhou) Co., Ltd. 天虹紡織(泰州)有限公司	Tai Zhou, Mainland China 20 October 1997 limited liability company 中國泰州 一九九七年十月二十日 有限責任公司	Manufacturing and sales of yarns and grey fabrics 製造及銷售紗線 及坯布	US\$193,750 193,750美元	100% 100%
Texhong Textile (Jinhua) Co., Ltd. 天虹紡織(金華)有限公司	Jinhua, Mainland China 4 January 1998 limited liability company 中國金華 一九九八年一月四日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress 製造及銷售紗線、 坯布、染布及服裝	US\$350,000 350,000美元	100% 100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Texhong Textile (Suining) Co., Ltd. 天虹紡織(睢寧)有限公司	Xuzhou, Mainland China 26 June 1998 limited liability company 中國徐州 一九九八年六月二十六日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress 製造及銷售紗線、 坯布、染布及服裝	US\$187,500 187,500美元	100% 100%
Taizhou Texhong Weaving Co., Ltd. 泰州天虹織造有限公司	Taizhou, Mainland China 15 January 2000 limited liability company 中國泰州 二零零零年一月十五日 有限責任公司	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning 製造及銷售工業用 紡織品及高級混紗線	US\$2,625,000 2,625,000美元	100% 100%
Zhejiang Texhong Textile Co., Ltd. 浙江天虹紡織有限公司	Jinhua, Mainland China 18 May 2000 limited liability company 中國金華 二零零零年五月十八日 有限責任公司	Manufacturing and sales of industrial-use textile products, top-grade grey fabrics and blended-spinning 製造及銷售工業用 紡織品、高級坯布及混紗線	US\$3,350,000 3,350,000美元	100% 100%
Jiangsu Century Texhong Textile Co., Ltd. (formerly known as Jiangsu Xintian Textile Co., Ltd.) 江蘇世紀天虹紡織有限公司 (前稱江蘇新天紡織 有限公司)	Xuzhou, Mainland China 6 June 2000 limited liability company 中國徐州 二零零零年六月六日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress; processing of cotton 製造及銷售紗線、坯布、 染布及服裝、加工棉花	US\$10,200,000(i) 10,200,000美元(i)	100% 100%
Taizhou Century Texhong Textile Limited 泰州世紀天虹紡織有限公司	Taizhou, Mainland China 23 April 2002 limited liability company 中國泰州 二零零二年四月二十三日 有限責任公司	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning 製造及銷售工業用 紡織品及高級混紗線	US\$13,000,000(ii) 13,000,000美元(ii)	100% 100%
Zhejiang Century Texhong Textile Co., Ltd. 浙江世紀天虹紡織有限公司	Jinhua, Mainland China 10 May 2002 limited liability company 中國金華 二零零二年五月十日 有限責任公司	Manufacturing and sales of top-grade spinning and fire-resistant fabrics (excluding dyed fabrics) 製造及銷售高級精紗線及 防火纖維(染色纖維除外)	US\$2,650,000 2,650,000美元	100% 100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Nantong Century Texhong Textile Co., Ltd. 南通世紀天虹紡織有限公司	Nantong, Mainland China 7 June 2002 limited liability company 中國南通 二零零二年六月七日 有限責任公司	Manufacturing and sales of yarns, grey fabrics and dyed fabrics 製造及銷售紗線、坯布 及 染布	US\$3,850,000(iii) 3,850,000美元(iii)	100% 100%
Xuzhou Century Texhong Textile Ltd. 徐州世紀天虹紡織有限公司	Xuzhou, Mainland China 13 January 2003 limited liability company 中國徐州 二零零三年一月十三日 有限責任公司	Manufacturing and sales of top-grade yarns and cloth spinning 製造及銷售高級紗線及 布料精紗線	US\$625,000 625,000美元	100% 100%
Xuzhou Texhong Yinfeng Textile Co., Ltd. 徐州天虹銀豐紡織有限公司	Xuzhou, Mainland China 12 May 2004 limited liability company 中國徐州 二零零四年五月十二日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, cloth and dyed fabrics 製造及銷售紗線、坯布、 布料及染布	US\$4,200,000 4,200,000美元	100% 100%
Nantong Texhong Yin Hai Industrial Co., Ltd. 南通天虹銀海實業有限公司	Nantong, Mainland China 20 May 2004 limited liability company 中國南通 二零零四年五月二十日 有限責任公司	Manufacturing and sales of garment, textile knitting products, and yarns. 製造及銷售成衣、紡織與 織造產品及紗線	US\$500,000 500,000美元	100% 100%
Xuzhou Texhong Times Textile Co., Ltd. 徐州天虹時代紡織有限公司	Xuzhou, Mainland China 29 December 2004 limited liability company 中國徐州 二零零四年十二月二十九日 有限責任公司	Manufacturing and sales of top-grade yarns, thread, grey fabrics, textile knitting products, and garments. 製造及銷售高級紗線、線、 紡織與織造產品及成衣	US\$15,000,000 15,000,000美元	100% 100%
New Apex International Trading Limited 新銳國際貿易有限公司	Hong Kong, PRC 21 February 2005 limited liability company 中國香港 二零零五年二月二十一日 有限責任公司	Trading 貿易	1000 ordinary share of HK\$1 每股1港元 1000股 普通股	100% 100%
Texhong (China) Investment Co., Ltd. 天虹(中國)投資有限公司	Shanghai, Mainland China 21 June 2005 limited liability company 中國上海 二零零五年六月二十一日	Investment holding 投資控股	US\$30,000,000 30,000,000美元	100% 100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

- (i) The Group is committed to contribute additional capital of US\$1,325,000 (equivalent of RMB10,693,000) into Jiangsu Century Texhong Textile Co., Ltd. within six months after 2 December 2005, all of which was contributed up to the date of approval of these financial statements.
- (ii) The Group is committed to contribute additional capital of US\$1,750,000 (equivalent of RMB14,123,000) into Taizhou Century Texhong Textile Co., Ltd. within three months after 12 December 2005, all of which was contributed up to the date of approval of these financial statements.
- (iii) The Group is committed to contribute additional capital of US\$1,100,000 (equivalent of RMB8,877,000) into Nantong Century Texhong Textile Co., Ltd. within three months after 9 December 2005, all of which was contributed up to the date of approval of these financial statements.

34. SUBSEQUENT EVENT

In March 2006, the Group entered into an unsecured banking facility of US\$10,000,000 with ABN AMRO Bank N.V., expiring in March 2007. The banking facility was fully utilised subsequent to year-end, and the related borrowings bear interest, at a LIBOR-based floating interest rate.

33. 附屬公司資料 (續)

- (i) 本集團已承諾於二零零五年十二月二日後六個月內額外注入資本1,325,000美元(相等於人民幣10,693,000元)予江蘇世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。
- (ii) 本集團已承諾於二零零五年十二月十二日後三個月內額外注入資本1,750,000美元(相等於人民幣14,123,000元)予泰州世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。
- (iii) 本集團已承諾於二零零五年十二月九日後三個月內額外注入資本1,100,000美元(相等於人民幣8,877,000元)予南通世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。

34. 結算日後事項

於二零零六年三月,本集團與ABN AMRO Bank N.V.,簽訂一項無抵押銀行融資10,000,000美元,於二零零七年三月到期。該銀行融資於年末後已全數動用,而有關附息借貸乃按以倫敦銀行同業拆息為基準的浮動利率計算。