



**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 2006**

## **二零零六年年報**



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# Financial Highlights

## 財務摘要

### Operating Figures 經營數據

For the year ended 31 December 截至12月31日止年度		2006 RMB'000 人民幣千元	2005 RMB'000 人民幣千元	Change 轉變	2004 RMB'000 人民幣千元	2003 RMB'000 人民幣千元	2002 RMB'000 人民幣千元
Turnover	營業額	2,667,216	1,915,965	+39.2%	1,415,852	1,034,340	730,152
Gross profit	毛利	402,863	342,697	+17.6%	229,373	155,896	139,702
Profit for the year	年度溢利	190,536	180,210	+5.7%	137,048	84,838	106,803
Earnings per share	每股盈利						
– Basic	– 基本	RMB人民幣0.22元	RMB人民幣0.21元	+4.8%	RMB人民幣0.19元	RMB人民幣0.12元	RMB人民幣0.15元
– Diluted	– 攤薄	RMB人民幣0.22元	RMB人民幣0.21元	+4.8%	RMB人民幣0.19元	RMB人民幣0.12元	RMB人民幣0.15元

### Consolidated Balance Sheet 綜合資產負債表

As at 31 December 於12月31日		2006 RMB'000 人民幣千元	2005 RMB'000 人民幣千元	Change 轉變	2004 RMB'000 人民幣千元	2003 RMB'000 人民幣千元	2002 RMB'000 人民幣千元
Total assets	總資產	1,829,900	1,401,768	+30.5%	966,518	633,396	522,912
Non-current assets	非流動資產	899,343	657,841	+36.7%	388,792	288,162	286,461
Current assets	流動資產	930,557	743,927	+25.1%	577,726	345,234	236,451
Total liabilities	總負債	968,251	645,454	+50.0%	399,867	342,488	297,472
Current liabilities	流動負債	752,577	560,797	+34.2%	387,855	342,283	290,096
Non-current liabilities	非流動負債	215,674	84,657	+154.8%	12,012	205	7,376
Net current assets/ (liabilities)	流動資產 (負債)淨值	177,980	183,130	-2.8%	189,871	2,951	(53,645)
Net assets	資產淨值	861,649	756,314	+13.9%	566,651	290,908	225,440

## Financial Highlights 財務摘要

### Financial Indicators 財務指標

For the year ended 31 December 截至12月31日止年度		2006	2005	2004	2003	2002
Inventory turnover days	存貨周轉日數	58	50	46	44	36
Trade receivable turnover days	應收貿易款項周轉日數	27	28	30	33	27
Trade payable turnover days	應付貿易款項周轉日數	35	27	18	24	26
Current ratio	流動比率	1.2	1.3	1.5	1.0	0.8
Net debt to equity ratio (Note 1)	淨債項對股本比率 (附註1)	0.42	0.11	0	0.68	0.60
Return on equity (Note 2)	股本回報率(附註2)	24%	27%	32%	33%	65%

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

**附註1:** 根據借貸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") and the shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 9 December 2004 ("Listing Date"). 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 2002, 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,並自二零零四年十二月九日(「上市日期」)起本公司股份在香港聯合交易所有限公司(「聯交所」)主板上市。本集團被視為持續經營實體,因此綜合財務報告乃自二零零二年一月一日起(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 2006 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 2002. This financial highlights include the results of the Company and its subsidiaries with effect from 1 January 2002 or since their respective dates of incorporation, whichever is a shorter period. The combined balance sheets as at 31 December 2002 and 2003 are the combination of the balance sheets of all the companies comprising the Group as at 31 December 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,本集團截至二零零六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二零零二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二零零二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。

# 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 1,800 customers in China and overseas, with its sales network spanning across the PRC, Europe, South Korea, Hong Kong and Bangladesh. Headquartered in Shanghai, the Group is operating 11 efficient manufacturing plants in China within the Yangze River Delta with total production capacity of over 470,000 spindles and 1,100 shuttleless looms.

In November 2006, the Group started its yarn capacity expansion plan in Vietnam. It is the Group's plan to gradually expand its yarn production capacity in Vietnam to approximately 350,000 spindles before the end of 2008.

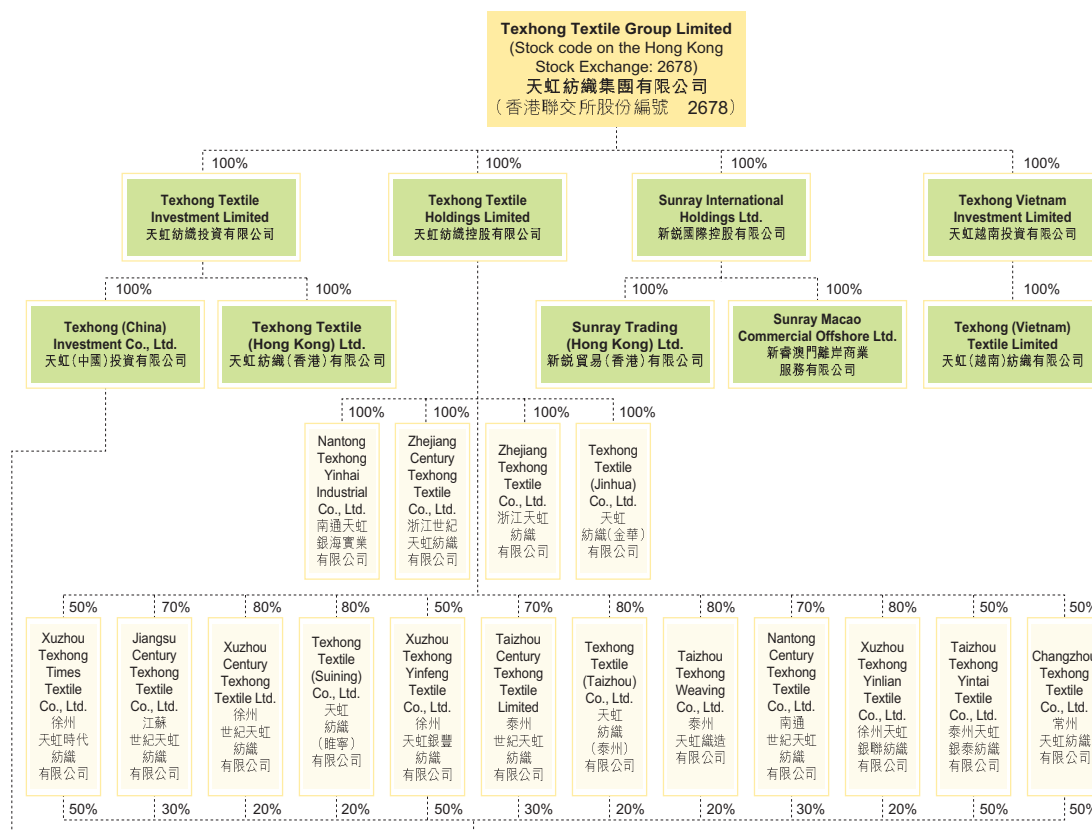
### 企業簡介

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」)最大的棉紡織品製造商之一,更是中國領先的高附加值棉包芯紡織產品生產企業。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紗線。自一九九七年始,本集團業務發展迅速,更擁有超過1,800個國內外客戶,銷售網絡遍及中國、歐洲、南韓、香港及孟加拉。本集團以上海為總部,於中國長江三角洲內設有11個高效生產基地,具備超過470,000個紗錠及1,100台無梭織機的生產能力。

於二零零六年十一月,本集團於越南展開其紗線產能擴充計劃,本集團計劃於二零零八年年底前逐步擴充越南之紗線產能至約350,000個紗錠。

### CORPORATE STRUCTURE

### 企業架構





## Chairman's Statement 主席報告書



**Hong Tianzhu 洪天祝**  
Chairman 主席

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 2006.

### RESULTS

In line with the Group's business expansion strategy, the Group has continued to grow significantly and gained market shares in upstream high value-added core-spun cotton textile market in 2006. Sales of core-spun yarn have achieved another year of record high, which grew by 70.8%, compared to the growth of 76.4% in 2005. During the year, the Group's turnover increased by 39.2% to RMB2,667.2 million. Gross profit rose by 17.6% to RMB402.9 million and profit attributable to shareholders increased by 5.7% to RMB190.5 million. Earnings per share were RMB0.22, compared to RMB0.21 in 2005.

### DIVIDEND

The Board has resolved to declare a final dividend of HKD0.04 per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, total dividend per share for 2006 will amount to HKD0.07, the dividend for the year represents a 32% payout of the total net profit for the year.

本人謹代表本集團董事會（「董事會」），欣然向本集團股東呈列本集團截至二零零六年十二月三十一日止年度的全年業績。

### 業績

本集團按照其業務擴展策略，在2006年持續錄得顯著增長，並在高附加值的棉包芯上游紡織品市場提升了市場佔有率，年內棉包芯紗線銷售額再創新高，增長70.8%，二零零五年增長則為76.4%。年內本集團營業額上升39.2%至人民幣26.672億元，毛利上升17.6%至人民幣4.029億元，股東應佔溢利增長5.7%至人民幣1.905億元，每股盈利為人民幣0.22元，二零零五年則為人民幣0.21元。

### 股息

董事會決議派發末期股息每股0.04港元。待股東於即將舉行之股東週年大會上批准批後，二零零六年股息總額將為每股0.07港元，年內股息佔年內總純利32%。

## Chairman's Statement 主席報告書

### OUTLOOK

The EU and US textile agreements with China will expire in 2007 and 2008, respectively. It is expected that potential threats arising from trade protectionism is likely to appear again in China's textile and garment trading with the EU, the US and other developed countries. Restrictions on the export of China's textile and garment products and potential disputes in textile and garment trading might further reduce the growth magnitude of the export sector of China's textile industry. As a result, considerable amounts of the textile and garment orders from the EU and the US have been shifted from China to other countries in Asia. In addition, China's textile industry is facing several challenges including the increase in labour and energy costs and continuous appreciation of the RMB, which have reduced the cost competitive advantage of the textile manufacturing sector in China. Furthermore, it is expected that the recent increase in import duty of imported cotton will result in a further erosion of the cost competitiveness of China's textile industry.

The recent industry policy of the Chinese Government on restricting the capacity growth of those high-energy consumption and low value-added manufacturing sector and encouraging Chinese manufacturers to invest overseas indicated that the rising pressure in cost will become a major concern of China's textile industry in the coming years. In order to pursue long term growth of the Group's business, it is the Group's policy to review its business development strategies and to evaluate its investment opportunities regularly. To overcome the challenge of cost pressure in China and to explore the market opportunities in ASEAN Countries, the Group has made a strategic move to shift its yarn capacity expansion focus from low-cost acquisitions in China to expansion in Vietnam.

Phase I of the Vietnam expansion plan comprises 70,000 spindles. The Group kicked off the construction work of the factory site on 28 November 2006 and has completed the superstructure and the roof construction of the factory building and office building. It is expected that the installation of machinery and equipment will be substantially completed in the second quarter of 2007 and the Group plans to commence production in the third quarter of 2007. The construction costs and relevant capital expenditure for Phase I are estimated to be about RMB230 million, which is to be financed by the Group's internal resources. It is the Group's plan to gradually expand its yarn production capacity in Vietnam to approximately 350,000 spindles before the end of 2008, representing an increase of approximately 74.5% to the Group's yarn production capacity of 470,000 spindles as at 31 December 2006.

### 展望

歐盟及美國與中國簽定的紡織貿易協議分別將於二零零七年及二零零八年屆滿。預期中國與歐盟、美國及其他已發展國家在進行紡織品及成衣貿易時，仍會受到貿易保護主義的潛在威脅。中國紡織及成衣產品的出口限制以及紡織品及成衣貿易所產生的貿易磨擦或會進一步減慢中國紡織品的出口增長，使得歐美大量訂單向東南亞國家轉移。此外，中國紡織行業正面對重大挑戰，包括勞工及能源成本一直上升以及人民幣持續升值，正逐步削弱中國在紡織品製造行業的低成本競爭優勢。此外，預期近日進口棉花的進口關稅上調將導致中國紡織行業的成本競爭優勢被進一步削弱。

從中國政府近日限制高能源消耗及低附加值製造行業的產能增長並鼓勵中國製造商到海外投資的政策顯示，成本壓力上升將成為日後影響中國紡織業發展的重要因素。為了業務的長遠發展，本集團定期檢討業務發展策略並評估及發掘新的投資商機。為解決中國成本壓力的問題，並藉此開拓東盟市場的商機，本集團在紗線產能的擴張策略已作出重大調整，並由國內的低成本併購轉移至越南的擴張。

越南第一期擴展計劃的70,000個紗錠已於二零零六年十一月二十八日正式展開工廠建設工程，工廠大樓及辦公室大樓的上層建築及頂部現已完成。機器設備將於二零零七年第二季完成安裝，本集團亦計劃於二零零七年第三季開始投產。第一期的建築成本及相關資本開支估計約達人民幣2.3億元，將由本集團內部資源撥付。本集團計劃在二零零八年年底前逐步將越南的紗線產能擴展至約350,000個紗錠，較本集團於二零零六年十二月三十一日的紗線產能的470,000個紗錠增加約74.5%。

## Chairman's Statement 主席報告書

### OUTLOOK (Continued)

Investment policy in China will be gradually shifted from capacity growth oriented acquisitions to value creation oriented investments. It is the Group's principal development strategy to become a leading vertically integrated manufacturer of high value-added core-spun cotton textile products in the international textile market. To achieve such business strategy, the Group has been constantly looking for investment or cooperation opportunities with reputable dyeing and printing manufacturers and textile trading firms.

Looking ahead, China will remain as the Group's core market and it is expected that our sales of high value-added core-spun cotton textile products will continue to attain outstanding growth due to the increasing demand of high value-added upstream textile products in China.

### 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  
18 April 2007

### 展望 (續)

本集團於中國的投資政策將由產能為增長導向的收購合併轉變為以價值為導向的投資，而主要發展策略仍是成為國際紡織品市場上高附加值棉包芯紡織產品的領先縱向整合生產商。為達致此目標，本集團一直尋求具信譽的印染生產商及紡織品貿易公司投資或與彼等之合作機會。

展望未來，本集團將繼續以中國為主要核心市場，隨著中國國內對高附加值上游紡織產品的上升需求，本集團預期在高附加值棉包芯紡織品方面的銷售額將錄得持續增長。

### 鳴謝

本人謹代表董事會對全體股東一直以來的鼎力支持致以衷心謝意。與此同時，本人謹藉此機會感謝本集團努力不懈的員工於年內作出的寶貴貢獻。

**洪天祝**  
*主席*

香港  
二零零七年四月十八日



## Management Discussion and Analysis 管理層討論及分析

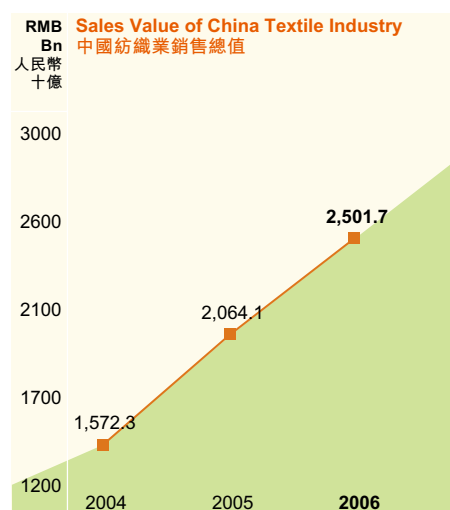
### BUSINESS REVIEW

Following the signing of the Sino-EU and Sino-US textile agreements in 2005, China's textile industry has experienced a relatively stable market environment in 2006. The re-imposition of quota system has restricted the export growth rate of textile and garment products to the US and EU, textile enterprises in China have paid more attention to quota-free overseas market and rapid growing domestic market. Accordingly, the gross aggregate sales value of China's textile industry have increased by 21.2% to RMB2,501.7 billion, and the textile and garment export sector has achieved a growth of 25.1% to USD147.1 billion with a growth of 19.9% from US and EU and a growth of 27.7% from quota-free overseas market.

### 業務回顧

隨著中歐及中美紡織品貿易協議於二零零五年簽訂後，二零零六年中國紡織行業的市場環境相對穩定。重新實施的配額制度限制了紡織品及成衣出口至美國及歐盟之增長率，故中國紡織企業較著眼於不設配額的海外市場以及迅速發展的本土市場。因此，中國紡織行業整體工業總產值已增加21.2%至人民幣25,017億元，紡織及成衣出口亦錄得25.1%增長至1,471億美元，當中出口至美國及歐盟的增長為19.9%，而不設配額的海外市場增長則為27.7%。

### 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

## Management Discussion and Analysis 管理層討論及分析

### BUSINESS REVIEW (Continued)

Taking the advantage of the clear and stable market environment, the Group made good progress in implementing its business plans in 2006 and has i) gained substantial market share in core-spun cotton yarn sector; ii) successfully launched to the market its new core-spun cotton textile products; and iii) expanded production capacity by low cost acquisition and organic expansion.

As a specialist in the high value-added core-spun cotton textile products, the Group has been constantly benefited from the increasing demand of high value-added upstream textile products in China. In 2006, through its strengthened sales and marketing efforts, the Group has gained further market share in the core-spun cotton textile sector, sales volume of the Group's major products increased substantially with sales volume of yarn and grey fabric surged by 60.4% and 7.2% to 76,790 tonnes and 92.3 million meters, respectively.

Geographically, the Group's yarn and grey fabrics are mainly sold domestically in China with major customers located in Jiangsu Province, Zhejiang Province and Guangdong Province. Leveraging on its leading market position in core-spun cotton textile products, the Group has also gained considerable number of orders from overseas markets including Europe, South Korea, Hong Kong and Bangladesh, etc.. In 2006, both of the Group's sales in domestic and overseas markets recorded significant growth, sales from overseas market surged by 57.9% to RMB311.9 million, while sales from domestic market surged by 37.1% and reached a record high of RMB2,355.3 million in 2006.

The Group continued to implement its product differentiation strategy and introduced to the market various innovative new core-spun cotton textile products in 2006. In cooperation with DOW Chemical, the Group has successfully launched to the market another series of stretch yarn and fabrics, core-spun yarn and fabrics with Dow XLA elastic fiber. In addition, by capitalizing on the Group's expertise in new product development and extensive customer recognition, the Group has also launched to the market a self-developed new core-spun product, core-spun yarn and fabrics with metallic wires. Both new products have gained considerable number of orders from customers and have already started to contribute to our bottom line.

### 業務回顧 (續)

受惠於清晰及穩定的市場環境，本集團在落實其二零零六年的業務計劃方面進展良好，並已 i) 於棉包芯紗線市場取得顯著市場佔有率的提升；ii) 成功將其新開發的棉包芯紡織品推出市場；及 iii) 藉低成本收購及自身擴張提升產能。

本集團具備高附加值棉包芯紡織品的專業地位，一直受惠於中國高附加值棉包芯上游紡織品的需求增長。於二零零六年，本集團透過加強銷售及市場推廣，進一步提升其於棉包芯紡織品市場的佔有率，本集團的主要產品銷量顯著上升，紗線及坯布銷量分別攀升60.4%及7.2%至76,790噸及92.3百萬米。

本集團生產之紗線及坯布集中於中國本土進行銷售，主要的客戶位於江蘇省、浙江省及廣東省。本集團憑藉其於棉包芯紡織品市場上的領先地位，亦同時取得大量海外市場的訂單，包括歐洲、南韓、香港及孟加拉等地。本集團於二零零六年的本土及海外市場之銷售額均錄得顯著增長，海外市場銷售額上升57.9%至人民幣3.119億元，而本土市場則上升37.1%，並於二零零六年創下新高至人民幣23.553億元。

於二零零六年，本集團繼續落實其差異化產品發展策略，在市場推出多種創新的棉包芯紡織產品。本集團與陶氏化學合作，成功在市場推出另一系列的彈力紗線及布料—Dow XLA彈性纖維紗線及布料。此外，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，本集團亦已在市場推出自行研發的新產品—棉包金屬絲的紗線及布料。以上的新產品於全面推出市場後均接獲大量客戶訂單，並開始為集團帶來利潤的增長。

## Management Discussion and Analysis 管理層討論及分析

### BUSINESS REVIEW (Continued)

To cope with the growing number of orders and to achieve economies of scale, the Group continued to expand its production capacity by organic expansion and low cost acquisition. During the year, the Group has commenced commercialised production of the new yarn factory with 100,000 spindles in Suining County, Xuzhou, Jiangsu Province and a new fabric weaving factory with 96 air-jet looms in Taizhou. In addition, the Group has grasped a low cost acquisition opportunity in Changzhou and acquired a state-owned textile factory with 67,000 spindles and 104 air-jet looms from Yizheng Group and Changzhou Municipal Government in July 2006. As at 31 December 2006, the Group has 11 production bases, spanning across Xuzhou, Taizhou, Changzhou and Nantong of Jiangsu Province and Jinhua of Zhejiang Province with total production capacity of over 470,000 spindles and 1,100 shuttleless looms. The Group's estimated annual production capacity as at 31 December 2006 has reached 100,000 tonnes of yarn and 110 million meters of grey fabrics.

Despite the encouraging business development in 2006, the Group has experienced several challenges in 2006, especially in the second half of 2006. As a result of the increase in the import duty on imported spandex by Chinese government, domestic market price of spandex surged in the fourth quarter of 2006. Spandex is one of the major raw materials of the Group's core-spun yarn products. The rapid surge in the market price of spandex led to a substantial increase in raw material costs of the Group's textile products.

In addition, continuous appreciation in RMB and the 2% cut in export VAT refund has brought significant impacts to the export sector of the textile and garment products, which have indirectly exerted certain pressure on the profit margin of the Group's products. Increase in raw material cost, energy cost and the continuous substantial increase in labour cost has exerted significant cost pressure on China's textile industry in 2006. As a result, the average net profit margin of the industry remained low at about 3.7%. The above adverse development of China's textile industry has also created pressure on the profit margin of the Group.

### 業務回顧 (續)

為迎接不斷湧現的訂單，以及爭取規模效益，本集團繼續透過自身擴張及低成本收購提升生產能力。本集團分別位於江蘇省徐州市睢寧縣擁有100,000個紗錠的新紗線廠及泰州配備96台噴氣織機的新坯布織造廠已於年內進行商業化生產。此外，本集團抓住了一個低成本收購機會，於二零零六年七月向儀化集團及常州市政府收購常州一家配備67,000個紗錠及104個噴氣織機的國有紡織廠。截至二零零六年十二月三十一日止，本集團擁有11個生產基地，遍佈江蘇省徐州、泰州、常州及南通，以及浙江省金華，總產能超過470,000個紗錠及1,100台無梭織機。本集團於二零零六年十二月三十一日的年度產能已達至100,000噸紗線及110百萬米坯布。

儘管二零零六年業務發展令人鼓舞，惟本集團於二零零六年下半年面對嚴峻考驗。由於中國政府調高進口彈力氨綸絲的進口關稅，國內彈力氨綸絲的市場價格於二零零六年第四季飆升。由於彈力氨綸絲為本集團棉包芯產品的主要原材料之一，彈力氨綸絲的市場價格飆升令本集團的原材料成本大幅上升。

此外，人民幣持續升值以及被削減2%的出口增值稅之退稅嚴重影響紡織及成衣產品出口業，間接對本集團產品的利潤帶來壓力。二零零六年原材料成本上漲、能源成本增加，以及持續大幅上升的勞工成本，亦對中國紡織行業帶來重大的成本壓力。因此業界的平均淨利率仍處於3.7%左右的低水平。上述對中國紡織業的不利因素亦同時對本集團之利潤率構成壓力。

## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW

#### Turnover

The Group's turnover comprises the sales of yarn, grey fabrics and garment fabrics. Due to the strong domestic demand for high value-added core-spun cotton textile products, turnover of the Group grew significantly in 2006. Turnover of the Group 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。由於二零零六年中國國內對高附加值棉包芯紡織品的需求強勁，本集團營業額錄得大幅增長。下列為各種產品的營業額表現：

		2006		2005		Change between 2006 and 2005
		二零零六年 RMB'000 人民幣千元	% of total 佔總額 百分比	二零零五年 RMB'000 人民幣千元	% of total 佔總額 百分比	二零零六年 對 二零零五年 之轉變
Yarn	紗線	1,619,103	60.7%	947,947	49.6%	70.8%
Grey fabrics	坯布	815,150	30.6%	742,193	38.7%	9.8%
Garment fabrics	面料	198,873	7.5%	201,949	10.5%	(1.5%)
Other textile products	其他紡織品	34,090	1.2%	23,876	1.2%	42.8%
Total	總營業額	2,667,216	100%	1,915,965	100%	39.2%

Yarn continued to be the Group's top selling products with sales increased by 70.8%, reaching a record high of RMB1,619.1 million in 2006. Sales of grey fabrics also increased by 9.8%, benefited from the growing demand of high value-added core-spun cotton textile products. However, the continuous appreciation in RMB and the 2% cut in export VAT refund in the second half of 2006 caused a slight drop in sales of garment fabrics.

紗線仍是本集團銷售最突出的產品，二零零六年銷售額增長70.8%，創人民幣16.191億元的新高。坯布銷售額亦上升9.8%，乃受惠於高附加值棉包芯紡織品的需求增長。於二零零六年下半年，人民幣持續升值以及被削減2%的出口增值稅之退稅，均導致面料銷售額輕微下跌。

#### Gross profit and gross profit margin

Because of the increase in sales volume and the gain in market share in the core-spun cotton textile products, gross profit of the Group increased by 17.6% to RMB402.9 million.

#### 毛利及毛利率

由於棉包芯紡織品銷量上升並增加了市場佔有率，本集團的毛利上升17.6%至人民幣4.029億元。

However, RMB appreciation and the 2% cut in VAT refund has impacted the export sector of the textile and garment products, which indirectly led to a drop in average selling prices of the Group's products. In addition, the rise in the cost of cotton and spandex, energy and labour costs has exerted significant cost pressure to the Group. The above pressures on selling prices and manufacturing costs have resulted in a drop of gross profit margin by 2.8 percentage points to 15.1% in 2006.

但人民幣升值以及被削減2%的出口增值稅退稅則影響到紡織及成衣產品出口業，間接令本集團產品平均售價下跌。此外，棉花及彈力氨綸絲成本的增加、能源及勞動成本的上升對本集團構成成本壓力，以上售價及生產成本壓力已導致二零零六年毛利率下跌2.8個百分點至15.1%。

## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW (Continued)

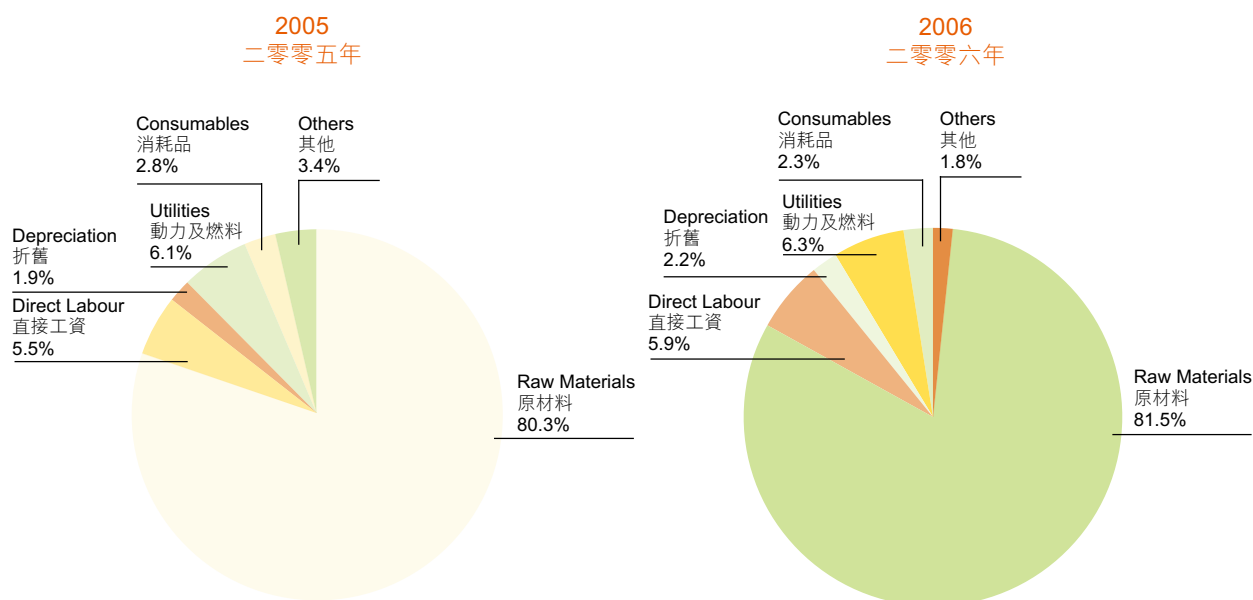
#### Cost structure

Cost of sales increased significantly by 43.9% to RMB2,264.4 million. Besides the increase in production volume, the rise in the cost of cotton and spandex, energy costs and labour costs has also led to an increase in the proportion of raw material, utilities and direct labour costs to the total manufacturing costs.

### 財務回顧 (續)

#### 成本架構

銷售成本大幅增加43.9%至人民幣22.644億元。除產量增加外，棉花及彈力氨綸絲成本、能源成本及勞工成本的上升亦導致原材料、公共開支及直接勞工成本佔生產成本之比例增加。



#### Selling and distribution costs

For the year ended 31 December 2006, the Group's selling and distribution costs increased by 27.5% to RMB64.8 million. The increase was partly due to the increase in transportation costs as a result of the increase in sales volume and partly due to the expansion of sales teams in the Group's regional headquarter in Shanghai.

#### 銷售及分銷開支

於截至二零零六年十二月三十一日止年度，本集團之銷售及分銷成本較去年上升27.5%至人民幣64,800,000元。部份升幅是由於銷售量增加導致運輸成本上升，其次是因為本集團於上海地區總部的銷售團隊之擴充而增加。

#### General and administrative expenses

During the year, the Group's general and administrative expenses increased by 18.5% to RMB110.8 million. The increase was mainly due to the increase in staff cost as a result of business expansion.

#### 一般及行政開支

本集團於年內之一般及行政開支增加18.5%至人民幣1.108億元，升幅主要由於業務擴張導致僱員成本上升。



## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW (Continued)

#### Finance costs

For the year ended 31 December 2006, the Group's net finance costs increased by 90.0% to RMB28.0 million. The increase in net finance costs was due to the increase in overall bank borrowings for the Group's business expansion during the year.

#### Cash flow

Net cash inflow from operating activities	經營活動所得現金淨額
Net cash outflow from investing activities	投資活動所耗現金淨額
Net cash inflow from financing activities	融資活動所得現金淨額
Cash and cash equivalents at 31 December	於十二月三十一日的現金及現金等值物

For the year ended 31 December 2006, net cash inflow from operating activities amounted to RMB41.3 million. The decrease in net cash inflow from operating activities was mainly due to the increase in the Group's inventory level of raw materials and the general increase in working capital requirement of the new factories in Taizhou and Changzhou, both started commercialised production in November 2006. The net cash outflow from investing activities amounted to RMB232.9 million, which was mainly used for the machinery and other capital expenditures of the new fabric weaving factory in Taizhou and the capital expenditure of the Changzhou acquisition. During the year under review, the net cash inflow from financing activities amounted to RMB71.5 million, representing the net increase in bank borrowings, including a 3-year syndication loan of US\$21 million borrowed jointly by Jiangsu Century Texhong Textile Co., Ltd., Taizhou Texhong Yintai Textile Co., Ltd. and Xuzhou Texhong Times Textile Co., Ltd. from six banks.

#### Liquidities and financial resources

As at 31 December 2006, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB154.3 million (as at 31 December 2005: RMB268.8 million).

### 財務回顧 (續)

#### 財務支出

截至二零零六年十二月三十一日止年度，本集團之財務支出淨額上升90.0%至人民幣28,000,000億元，財務支出淨額增加乃由於本集團業務於年內擴充，導致整體銀行借貸增加所致。

#### 現金流量

	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Net cash inflow from operating activities	41,338	172,193
Net cash outflow from investing activities	(232,948)	(259,804)
Net cash inflow from financing activities	71,525	100,338
Cash and cash equivalents at 31 December	139,887	259,972

截至二零零六年十二月三十一日止年度，本集團錄得經營活動所得現金淨額約人民幣41,300,000元，經營活動所得現金淨額減少主要是由於本集團增加了原料儲備，以及於二零零六年十一月開始投產的泰州及常州新廠房所需營運資金之整體增加。本集團投資活動所耗現金淨額為人民幣2.329億元，主要是用作泰州新坯布織造廠的機器設備及資本開支以及常州收購的資本開支。於回顧年度內，本集團融資活動所得現金淨額約為人民幣71,500,000元，亦即銀行貸款增加淨額，當中包括一項為期三年之2,100萬美元銀團貸款，該項銀團貸款由江蘇世紀天虹紡織有限公司、泰州天虹銀泰紡織有限公司及徐州天虹時代紡織有限公司共同向六家銀行借入。

#### 流動資金及財務資源

於二零零六年十二月三十一日，本集團之銀行及現金結餘（包括已抵押銀行存款）為人民幣1.543億元（於二零零五年十二月三十一日：人民幣2.688億元）。

## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW (Continued)

As a result of business expansion in 2006, the Group's inventories and trade and bills receivables increased substantially by RMB184.0 million and RMB65.3 million to RMB450.7 million and RMB227.5 million, respectively (as at 31 December 2005: RMB266.7 million and RMB162.2 million). The inventory turnover days and trade receivable turnover days were 58 days and 27 days respectively, compared to 50 days and 28 days in 2005. The increase in inventory turnover days was due to an increase in the inventory levels in December 2006 for the two new factories in Taizhou and Changzhou which have just commenced commercialised production in November 2006.

To cater for working capital requirement as a result of the Group's business expansion in 2006, the Group's short-term bank borrowings and long-term bank borrowings increased by RMB29.7 million and RMB131.6 million to RMB308.5 million and RMB204.5 million, respectively as at 31 December 2006, as compared to RMB278.8 million and RMB72.9 million as at 31 December 2005.

As at 31 December 2006, the Group's financial ratios were as follows:

		2006 二零零六年	2005 二零零五年
Current ratio	流動比率	1.24	1.33
Debt to equity ratio <sup>1</sup>	負債權益比率 <sup>1</sup>	0.60	0.47
Net debt to equity ratio <sup>2</sup>	負債淨額權益比率 <sup>2</sup>	0.42	0.11

<sup>1</sup> Based on total borrowings over total equity.

<sup>2</sup> Based on total borrowings net of cash and cash equivalents over total equity.

### Borrowings

As at 31 December 2006, the Group's total borrowings amounted to RMB513.0 million. Among which, RMB242.5 million (47.3%) were denominated in Renminbi and RMB270.5 million (52.7%) were denominated in United States dollars. These loans borne interest at interest rates ranging from 3.0% to 8.0% per annum (2005: 5.0% to 8.0%). The additional borrowings of approximately RMB161.3 million raised during the year was mainly used for working capital purpose and business expansion in 2006.

### 財務回顧(續)

隨著業務擴充，本集團之存貨及應收貿易及票據款項分別增加人民幣1.84億元及人民幣65,300,000元至人民幣4.507億元及人民幣2.275億元（於二零零五年十二月三十一日：人民幣2.667億元及人民幣1.622億元）。存貨周轉天數及應收賬款周轉天數分別為58天及27天，而二零零五年則分別為50天及28天。存貨周轉天數增加乃由於配合剛於二零零六年十一月開始投產的泰州及常州新廠房的生產規模而於二零零六年十二月增加存貨水平所致。

為應付本集團於二零零六年擴充業務所帶來之營運資金需求，本集團於二零零六年十二月三十一日之短期銀行借貸及長期銀行借貸分別增加人民幣29,700,000元及人民幣1,316億元至人民幣3,085億元及人民幣2,045億元，於二零零五年十二月三十一日則為人民幣2,788億元及人民幣72,900,000元。

於二零零六年十二月三十一日，本集團之財務指標如下：

<sup>1</sup> 根據總借貸總額除權益總額計算得出。

<sup>2</sup> 根據總借貸總額減現金及現金等值物除權益總額計算。

### 借貸

於二零零六年十二月三十一日，本集團之借貸總額為人民幣5.13億元，其中人民幣2.425億元(47.3%)以人民幣列值，其餘人民幣2.705億元(52.7%)則以美元列值。該等貸款按年利率3.0%至8.0%（二零零五年：5.0%至8.0%）計息。年內籌集之額外借貸約人民幣1.613億元主要用於二零零六年營運資金用途及業務擴充項目。

## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW (Continued)

The Group has gradually reduced the proportion of short-term loan to the total borrowing from 79.2% to 60.1% in 2006. In August 2006, the Group has entered into a facility agreement with six banks for a loan facility up to principal amount of US\$35 million. Among which US\$21 million has been drawn in order to repay the short term loans with local banks in China and for financing the Group's capital expenditure and working capital requirements.

Of the total bank borrowings of RMB513.0 million, RMB61.5 million were secured by the followings:

- pledge of the Group's certain land use rights of approximately RMB32.2 million as at 31 December 2006 (2005: RMB36.5 million);
- pledge of the Group's property, plant and equipment of approximately RMB17.8 million as at 31 December 2006 (2005: RMB122.4 million); and
- pledge of the Group's inventories of RMB60.2 million as at 31 December 2006 (2005: RMB14.2 million).

### Foreign exchange risk

Since majority of the Group's sales, purchases and expenses are mainly denominated in Renminbi, in the opinion of the Board, the exposure to fluctuations in foreign currency exchange rates is minimal. Except the interest rate swap entered in September 2006 with ABN AMRO in order to mitigate interest rate risk and foreign exchange risk for the repayment of US\$21 million syndication loan, the Group was not involved in any other hedging activities during the year under review.

### Capital expenditure

For the year ended 31 December 2006, the capital expenditure of the Group amounted to RMB311.6 million (2005: RMB294.4 million). It comprise mainly additions to land use rights and property, plant and equipment for two newly constructed factories in Suining and Taizhou of Jiangsu Province and the acquisition of a state-owned factory in Changzhou.

### 財務回顧 (續)

於二零零六年，本集團已將短期貸款佔總貸款水平的比例由79.2%逐步減低至60.1%。於二零零六年八月，本集團與六家銀行就一項本金金額高達3,500萬美元的貸款融資訂立融資協議，其中2,100萬美元已動用作為償還中國國內地方銀行之短期貸款，以及撥付本集團之資本開支及營運資金需求。

人民幣5.13億元之銀行借貸總額中，其中人民幣61,500,000元以下列各項作為抵押：

- 本集團於二零零六年十二月三十一日止抵押的土地使用權約人民幣32,200,000元（二零零五年：人民幣36,500,000元）；
- 本集團於二零零六年十二月三十一日止抵押的物業、廠房及設備約人民幣17,800,000元（二零零五年：人民幣1.224億元）；及
- 本集團於二零零六年十二月三十一日止抵押的存貨約人民幣60,200,000元（二零零五年：人民幣14,200,000元）。

### 外匯風險

由於本集團的銷售、採購及開支均主要以人民幣計值，董事會認為，外匯匯率波動之風險不大。除於二零零六年九月與荷蘭銀行訂立利率掉期，以減低有關償還2,100萬美元銀團貸款的利率風險及外匯風險外，本集團於回顧年內並無涉及任何其他對沖活動。

### 資本開支

於截至二零零六年十二月三十一日止年度，本集團之資本開支為人民幣3.116億元（二零零五年：人民幣2.944億元），主要包括就兩所於江蘇省睢寧及泰州的新建廠房添置土地使用權及物業、廠房及設備，以及收購一所於常州的國有廠房。

## Management Discussion and Analysis 管理層討論及分析

### FINANCIAL REVIEW (Continued)

#### Contingent liabilities

As at 31 December 2006, the Group had contingent liabilities of RMB21.9 million (as at 31 December 2005: 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, China. The Directors of the Company and the management of the Group anticipate that no material liabilities will arise from the aforementioned contingencies.

#### Human resources

As at 31 December 2006, the Group had a total workforce of 12,567 (as at 31 December 2005: 10,015), of whom 12,548 were based in the regional headquarter in Shanghai and in our 11 manufacturing plants in mainland China. The remaining 19 were located in outside-mainland China region including Hong Kong, Macau and Vietnam. 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 organization. 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 reasonable return. The Board has recommended a final dividend of HKD0.04 per share in respect of the financial year ended 31 December 2006 to shareholders whose names appeared on the register of members at 11:59 p.m. on 9 May 2007. An interim dividend of HKD0.03 per share was paid by the Company on 28 September 2006. Subject to approval of the proposed final dividend by the shareholders at the forthcoming Annual General Meeting, the dividend for the year represents a 32% payout of the total net profit for the year.

### 財務回顧 (續)

#### 或然負債

於二零零六年十二月三十一日，本集團的或然負債為人民幣2,190萬元（於二零零五年十二月三十一日：人民幣2,190萬元），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。本公司董事及本集團管理層預期上述或然事項將不會產生重大負債。

#### 人力資源

於二零零六年十二月三十一日，本集團員工合共12,567名（於二零零五年十二月三十一日：10,015名），其中12,548名常駐中國大陸，分佈於本集團位於上海的地區總部及中國大陸的11個生產基地。其餘19名員工則常駐非中國大陸地區，包括香港、澳門及越南。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。董事會建議就截至二零零六年十二月三十一日止財政年度向名列於二零零七年五月九日下午十一時五十九分股東名冊內之股東派發每股0.04港元之末期股息。本公司已於二零零六年九月二十八日派發每股0.03港元之中期股息。待股東於即將舉行之股東週年大會上批准建議末期股息後，年內股息佔年內總純利32%。

## Corporate Governance Report 企業管治報告

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 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 2006, 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),  
ACA, FTIHK, FHKIoD

The brief biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 28 to 31.

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，於截至二零零六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), ACA,  
FTIHK, FHKIoD

董事之履歷詳情載於第28至31頁之「董事及高級管理層」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。



## Corporate Governance Report 企業管治報告

### 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), ACA, FTIHK, FHKIoD	丁良輝 MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD	4/4

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, investment plans, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policies 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、投資計劃、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層，並由董事會監督。

## Corporate Governance Report 企業管治報告

### 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.

Under the Securities Code, Directors are required to notify Mr Hong Tianzhu or Mr Zhu Yongxiang or a director (other 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.

### 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管理層。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。

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。

## Corporate Governance Report 企業管治報告

### DIRECTORS' SECURITIES TRANSACTIONS (Continued)

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)

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，董事會由極具經驗及高才幹之人士組成，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，讓本集團能迅速及有效地作出及落實決策。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，有利於本公司之業務發展。

### 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。高級管理層其後將於有需要時提供說明，並為新董事提供本集團業務及活動之詳細資料。

## Corporate Governance Report 企業管治報告

### 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 HKD72,000 to each of Ms. Zhu Lanfen and Professor Cheng Longdi and HKD168,000 to Mr. Ting Leung Huel Stephen for the year ended 31 December 2006. 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.

### 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 17 to 19 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 chairman of the Remuneration Committee is Mr. Ting Leung Huel, Stephen. 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.

### 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。本公司已就截至二零零六年十二月三十一日止年度分別支付年度董事袍金72,000港元予朱蘭芬女士及程隆棣教授及168,000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。

### 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17至19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。薪酬委員會主席為丁良輝先生。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。

## Corporate Governance Report 企業管治報告

### BOARD COMMITTEES (Continued)

#### Remuneration Committee (Continued)

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;
- (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.

### 董事委員會 (續)

#### 薪酬委員會 (續)

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；
- (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) 檢討及批准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（以酬金的角度的角度）。



## Corporate Governance Report 企業管治報告

### BOARD COMMITTEES (Continued)

#### Remuneration Committee (Continued)

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2006 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

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2006. 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 35 to 39 and note 13 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)

薪酬委員會每年須至少召開一次會議。於二零零六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：

除委員會會議外，薪酬委員會亦於二零零六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35至39頁及財務報表附註13。

#### 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）、朱蘭芬女士及程隆棣先生。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。

## Corporate Governance Report 企業管治報告

### 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報告判斷，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) 商議就中期審閱及年終審核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。

## Corporate Governance Report 企業管治報告

### BOARD COMMITTEES (Continued)

#### Audit Committee (Continued)

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2006 and the attendance of each member is set out as follows:

### 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。於二零零六年已舉行兩次委員會會議，而各成員之出席情況如下：

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	程隆棣	2/2

During the meetings held in 2006, the Audit Committee had performed the work as summarised below:

於二零零六年舉行之會議，審核委員會已履行之工作概述如下：

- |  |   |
|--|---|
| (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 2005 (the "2005 Final Audit") and for the interim results review for the six months ended 30 June 2006 (the "2006 Interim Review"); | (i) 檢討及批准外聘核數師建議之本集團截至二零零五年十二月三十一日止年度之年終審核（「二零零五年年終審核」）及截至二零零六年六月三十日止六個月之中期業績審閱（「二零零六年中期審閱」）之核數範圍及費用； |
| (ii) reviewed the external auditors' report of finding in relation to the 2005 Final Audit and the auditors' report on the connected transactions for the year ended 31 December 2005 where waivers had been granted by the Stock Exchange;  | (ii) 檢討外聘核數師之二零零五年年終審核結果之報告，以及對截至二零零五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) reviewed the external auditors' independent review report in relation to the 2006 Interim Review;  | (iii) 檢討外聘核數師就二零零六年中期審閱之獨立審閱報告；   |
| (iv) reviewed the financial reports for the year ended 31 December 2005 and for the six months ended 30 June 2006; and   | (iv) 檢討截至二零零五年十二月三十一日止年度及截至二零零六年六月三十日止六個月之財務報告；及  |
| (v) reviewed the effectiveness of internal control system of the Group including financial, operational and compliance controls and risk management functions of the Group.  | (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。   |

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

董事會及審核委員會就甄選、委聘、退任或罷免外聘核數師並無意見分歧。

## Corporate Governance Report 企業管治報告

### ACCOUNTABILITY AND AUDIT

#### 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 2006, 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 54 and 55.

#### Internal Control

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year under review, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee.

#### External Auditors' Remuneration

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

### 問責及核數

#### 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。截至二零零六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54及55頁。

#### 內部監控

董事負責維持良好及有效的內部監控系統。於回顧年度，董事會已透過審核委員會檢討本集團的內部監控系統。

#### 外聘核數師之酬金

於年內，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	Payable 應付費用 RMB'000 人民幣千元
Audit services	核數服務	3,516
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：	3,516

## Corporate Governance Report 企業管治報告

### 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, 18 April 2007

### 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

**洪天祝**  
主席

香港，二零零七年四月十八日

## Directors and Senior Management 董事及高級管理層

### DIRECTORS

#### Executive Directors

**Mr. Hong Tianzhu**, 39, 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 388,000,000 and 163,500,000 shares of HK\$0.1 each in the Company as at 31 December 2006 respectively.

**Mr. Zhu Yongxiang**, 40, 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 2006 respectively.

**Mr. Tang Daoping**, 41, is an executive Director and vice president of the Group. He is responsible for the operations of the Group's yarn business. 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 25 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**，39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2006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388,000,000股股份及163,500,000股股份的實益擁有人。

**朱永祥先生**，40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2006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**，41歲，本集團執行董事兼副總裁。彼負責本集團的紗線業務。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，並於紡織業擁有逾二十五年經驗。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。



## Directors and Senior Management 董事及高級管理層

**DIRECTORS (Continued)**

**Mr. Gong Zhao**, 52, is an executive Director and vice president of the Group. He is responsible for the operations of the Group's grey fabric business. 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**, 65, 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. Prior to 16 May 2006, Ms. Zhu was 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**, 47, 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 (deputy director 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 Textile Academy (formerly known as Textile Academy of Textile Ministry). He joined the Group and was appointed as an independent non-executive Director on 21 November 2004.

**董事 (續)**

**龔照先生**，52歲，本集團執行董事兼副總裁。龔先生負責本集團的坯布業務，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**，65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。於2006年5月16日前，朱女士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。

**程隆棣教授**，47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。程教授曾為中國紡織科學研究院（前稱紡織工業部紡織科學研究院）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。

## Directors and Senior Management 董事及高級管理層

### DIRECTORS (Continued)

**Mr. TING Leung Huel, Stephen**, MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD, aged 53, 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 Computer and Technologies Holdings Limited, eForce Holdings Limited, MACRO-LINK International Holdings Limited, Minmetals Resources 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. He was also a non-executive director of Premium Land Limited, a listed company in Hong Kong from 29 April 2006 to 28 May 2006.

### SENIOR MANAGEMENT

**Mr. Yin Jianhua**, 45, is a vice president of the Group and responsible for the yarn sales operations 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.

**Mr. Sha Tao**, 41, a vice president of the Group and responsible for the production and purchase of the Group's grey fabric operations. 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 20 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).

### 董事 (續)

**丁良輝先生**，MH、FCCA、FCPA (PRACTISING)、ACA、FTIHK、FHKIoD，53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、五礦資源有限公司、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。於2006年4月29日至2006年5月28日，彼亦為一家香港上市公司中國策略置地有限公司之非執行董事。

### 高級管理層

**尹建華先生**，45歲，本集團副總裁並負責本集團的紗線營銷業務。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。

**沙淘先生**，41歲，本集團的副總裁並負責本集團的坯布生產及物流採購。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二十年經驗。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。

## Directors and Senior Management 董事及高級管理層

### SENIOR MANAGEMENT (Continued)

**Mr. Hu Zhiping**, 43, is a vice president of the Group and responsible for the grey fabric sales operations of the Group. Mr. Hu graduated from 無錫職業大學 (Wuxi Professional University) in textile in 1984. Mr. Hu has over 19 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. Shu Wa Tung, Laurence**, 34, 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 financial 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 Stock Exchange (the "Listing Rules").

### 高級管理層 (續)

**胡志平先生**，43歲，本集團副總裁並負責本集團的坯布營銷業務。胡先生於1984年畢業自無錫職業大學紡織系。彼於紡織業擁有逾十九年經驗。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。

**舒華東先生**，34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。

## Corporate Information 公司資料

### 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) ACA FTIHK FHKIoD  
Ms. Zhu Lanfen  
Professor Cheng Longdi

### REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen  
MH FCCA FCPA (Practising) ACA 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

Room 1818, 18/F  
Metroplaza Tower 1  
223 Hing Fong Road  
Kwai Fong, N.T.  
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) ACA 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) ACA 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

香港新界  
葵芳興芳路223號  
新都會廣場第一座  
18樓1818室

### 註冊辦事處

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

## Corporate Information 公司資料

### PRINCIPAL BANKERS

ABN AMRO Bank N.V., Shanghai Branch  
Citibank (China) Co., Ltd. Shanghai Branch  
(formerly known as Citibank N.A., 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](http://www.texhong.com)

### STOCK CODE

2678

### 主要往來銀行

荷蘭銀行有限公司上海分行  
花旗銀行(中國)有限公司上海分行  
(前稱為美國花旗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](http://www.texhong.com)

### 股份編號

2678

## Report of the Directors 董事會報告

The Directors of the Company submit their report together with the audited accounts of the Company for the year ended 31 December 2006.

### 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 yarn, 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 yarn, 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.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 58 of this annual report.

The Board has recommended a final dividend of HKD0.04 per share in respect of the financial year ended 31 December 2006 to shareholders whose names appeared on the register of members on 9 May 2007 at 11:59 p.m. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on 9 May 2007.

### RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2006 are set out in note 14 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 2006 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 12 to the accompanying financial statements.

本公司董事提呈截至二零零六年十二月三十一日止年度之報告連同本公司經審核賬目。

### 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。

### 業績及分派

本集團之於截至二零零六年十二月三十一日止年度業績載列於本年報第58頁之綜合收益表。

董事會已建議派付截至二零零六年十二月三十一日止財政年度之末期股息每股0.04港元予於二零零七年五月九日下午十一時五十九分名列本公司股東名冊的股東。為符合資格獲取擬派末期股息，所有股份過戶文件，連同有關股票必須於二零零七年五月九日下午四時三十分前提交至本公司之股份過戶登記分處香港中央證券登記有限公司。

### 儲備

本集團截至二零零六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14。

### 物業、廠房及設備

本集團截至二零零六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12。



## Report of the Directors 董事會報告

### DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2006 is set out in note 14 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 2 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

本公司於截至二零零六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14。

### 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2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。

## Report of the Directors 董事會報告

### 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.

### 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。

## Report of the Directors 董事會報告

### SHARE OPTIONS (Continued)

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 Stock Exchange'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 Stock Exchange'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.

As at 31 December 2006, 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 Stock Exchange 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.

### 購股權 (續)

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。

於二零零六年十二月三十一日，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。

## Report of the Directors 董事會報告

### SHARE OPTIONS (Continued)

As at 31 December 2006, 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.

Details of the outstanding share options as at 31 December 2006 which have been granted under the Pre-IPO Share Option Scheme are as follows:

### 購股權 (續)

於二零零六年十二月三十一日，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%。

於二零零六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：

	Date of grant 授出日期	Number of option shares 購股權數目		Exercised during the year 年內已行使	Exercise price 行使價 HK\$ 港元	Exercisable period 行使期限 (Note) (附註)
		Outstanding at 1 January 2006 於二零零六年 一月一日 尚未行使	Outstanding at 31 December 2006 於二零零六年 十二月三十一日 尚未行使			
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

## Report of the Directors 董事會報告

### SHARE OPTIONS (Continued)

### 購股權 (續)

		Number of option shares 購股權數目				
		Outstanding at 1 January 2006 於二零零六年 一月一日 尚未行使	Exercised during the year 年內已行使	Outstanding at 31 December 2006 於二零零六年 十二月三十一日 尚未行使	Exercise price 行使價 HK\$ 港元	Exercisable period 行使期限 (Note) (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允價值為人民幣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。

## Report of the Directors 董事會報告

### 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 108(A) of the Company's articles of association, Mr. Hong Tianzhu, Mr. Zhu Yongxiang and Mr. Ting Leung Huel, Stephen 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108(A)，洪天祝先生、朱永祥先生及丁良輝先生將輪值告退，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。



## Report of the Directors 董事會報告

### 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.

### 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。

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, 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.

### 董事於合約中之權益

除本年報所述，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。

### 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 21 to the accompanying financial statements.

### 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21。

Details of the five highest paid individuals during the year under review are set out in note 21 to the accompanying financial statements.

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21。

### 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.

### 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 21 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21。

## Report of the Directors 董事會報告

### 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 28 to 31 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28至第31頁。

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

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

At 31 December 2006, 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 Stock Exchange 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:

於二零零六年十二月三十一日，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：

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	Nature of interest 權益性質	Number of Shares held 持有股份數目	
			Number of ordinary shares (Note 1) 普通股份數目 (附註1)	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	551,500,000 (L) (Note 2) (附註2)	63.25%
	the Company 本公司	Beneficial owner 實益擁有人	4,400,000 (L)	0.50%
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) (Note 3) (附註3)	28.50%

## Report of the Directors 董事會報告

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

#### Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Among these 551,500,000 Shares, as to 388,000,000 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.
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.

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)

#### 附註:

1. 「L」代表該人士於股份之好倉。
2. 該551,500,000股股份中388,000,000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。
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。

## Report of the Directors 董事會報告

### 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 2006, 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，於二零零六年十二月三十一日，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 ordinary shares (Note 1) 普通股數目 (附註1)	
New Green Group Limited	Beneficial owner 實益擁有人	388,000,000 (L) (Note 2) (附註2)	44.5%
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	388,000,000 (L) (Note 2) (附註2)	44.5%
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 Zhiyang 趙志揚女士	Interest of spouse 配偶權益	248,520,000 (L) (Note 6) (附註6)	28.50%
Mr. Cheah Cheng Hye 謝清海先生	Interest of controlled corporation(s) 所控制法人的權益	52,538,000 (L) (Note 7) (附註7)	6.02%
Value Partners Limited	Investment manager 投資經理	52,538,000 (L) (Note 7) (附註7)	6.02%
Consolidated Press Holdings Limited	Beneficial owner 實益擁有人	43,624,000 (L)	5%

## Report of the Directors 董事會報告

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

#### Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. These 388,000,000 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.
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%, 1.68%, 0.36% and 0.36% by Mr. Sha Tao, Mr. Tang Daoping, Mr. Gong Zhao, Mr. Hu Zhiping, 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 is interested.
6. Ms. Zhao Zhiyang is the spouse of Mr. Zhu Yongxiang. Under the SFO, Ms. Zhao Zhiyang is taken to be interested in the same number of Shares in which Mr. Zhu Yongxiang are interested.
7. Based on the disclosure of interest forms filed by Mr. Cheah Cheng Hye and Value Partners Limited on 29 September 2006, these 52,538,000 Shares are registered in the name of Value Partners Limited, which is controlled by Mr. Cheah Cheng Hye. Under the SFO, Mr. Cheah Cheng Hye is deemed to be interested in all the Shares held by Value Partners Limited.

### 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:

1. 「L」代表該人士於股份之好倉。
2. 該388,000,000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。
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。
7. 根據謝清海先生及Value Partners Limited於二零零六年九月二十九日提交之權益披露報告表, 該52,538,000股股份乃以Value Partners Limited之名義登記, 該公司由謝清海先生控制。根據證券及期貨條例, 謝清海先生被視為於Value Partners Limited所持所有股份佔有權益。

## Report of the Directors 董事會報告

### 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 2006 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.

### 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	13%
– five largest suppliers combined	34%
Sales	
– the largest customer	4%
– five largest customers combined	15%

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.

### 購買股份或債權證之安排

除上述「購股權」一節披露者外，截至二零零六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。

### 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	13%
– 五大供應商合計	34%
銷售	
– 最大客戶	4%
– 五大客戶合計	15%

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。



## Report of the Directors 董事會報告

### 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.

**(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.

### 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。

**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。

## Report of the Directors 董事會報告

### DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

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 0.02% 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 1.5% and 0.8% respectively.

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.

### 董事於競爭業務之權益 (續)

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0.02%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1.5%及0.8%。

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。

## Report of the Directors 董事會報告

### DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

The non-compete undertaking has taken effect from the Listing Date 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.

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 RMB499,000, it did not exceed the annual monetary cap of RMB30.5 million for year 2006.

### 董事於競爭業務之權益 (續)

不競爭承諾已由上市日期起生效，並於下述最早發生者時期滿：(i)洪天祝先生與其聯營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。

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。本集團於二零零六年度予天虹印染之坯布總銷售額約達人民幣499,000元，並不超出人民幣30,500,000元年度金額上限。

## Report of the Directors 董事會報告

### CONNECTED TRANSACTIONS (Continued)

#### (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 form 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 RMB2,973,000, it did not exceed the annual monetary cap of RMB31.3 million for year 2006.

#### (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.

### 關連交易 (續)

#### (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。本集團於二零零六年度向天虹印染採購之面料總額約達人民幣2,973,000元,並不超出人民幣31,300,000元年度金額上限。

#### (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。

## Report of the Directors 董事會報告

### CONNECTED TRANSACTIONS (Continued)

### 關連交易 (續)

#### (c) Sales of Group's grey fabrics to Nantong Textile (Continued)

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 RMB140,000, it did not exceed the annual monetary caps of RMB5.5 million for the year 2006.

#### (c) 向南通紡織銷售本集團坯布 (續)

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。本集團於二零零六年度予南通紡織之坯布總銷售額約達人民幣140,000元，並不超出人民幣5,500,000元年度金額上限。

#### (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.

#### (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。

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 RMB1,564,000, it has not exceed the annual monetary cap of RMB1.6 million for year 2006.

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1,564,000元，並不超出二零零六年的年度金額上限人民幣1,600,000元。



## Report of the Directors 董事會報告

### CONNECTED TRANSACTIONS (Continued)

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, all the other related party transactions fall under the scope of "continuing connected transaction", in Chapter 14A of the Listing Rules.

### 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 ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry on all the directors of the Company, and all its directors confirmed that they have complied with the Securities Code and the Model Code during the year under review.

### 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 at any time during the financial year ended 31 December 2006.

### 關連交易 (續)

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，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。

### 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「標準守則」的證券守則。經本公司特別向全體董事作出查詢後，其全體董事確認，彼等均已於回顧年度內遵守證券守則及標準守則。

### 公眾持股量

根據於本年報刊發日期本公司獲得之公開資料及據董事所知，本公司於截至二零零六年十二月三十一日止財政年度任何時間已發行股份之指定公眾持股量符合上市規則。



## Report of the Directors 董事會報告

### 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 rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The audit committee had reviewed the audited results of the Group for the financial year ended 31 December 2006.

### REMUNERATION COMMITTEE

The remuneration committee of the Directors comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi and the chairman and executive Director Mr. Hong Tianzhu. Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

### LITIGATION

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.

### 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, 18 April 2007

### 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。審核委員會的職權及職責範圍符合《守則條文》。審核委員會負責審閱及監督本集團之財務匯報程序及內部監控制度，並向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二零零六年十二月三十一日止財政年度之經審核業績。

### 薪酬委員會

董事薪酬委員會由三名獨立非執行董事丁良輝先生、朱蘭芬女士、程隆棣先生及主席兼執行董事洪天祝組成。丁良輝先生為薪酬委員會主席。薪酬委員會之職權及職責範圍與《守則條文》一致。薪酬委員會主要負責擬訂董事及高級管理層所有酬金政策及結構，並向董事會提供意見及推薦建議。

### 訴訟

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。

### 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

**洪天祝**  
主席

香港，二零零七年四月十八日

## Independent Auditors' Report 獨立核數師報告

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TEXHONG TEXTILE GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Texhong Textile Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 124, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 person for the contents of this report.

### 獨立核數師報告

致天虹紡織集團有限公司全體股東

*(於開曼群島註冊成立的有限公司)*

本核數師(以下簡稱「我們」)已審核列載於第56至124頁天虹紡織集團有限公司(「公司」)及其附屬公司(統稱「集團」)的綜合財務報表。此綜合財務報表包括於二零零六年十二月三十一日的綜合及公司資產負債表與截至該日止年度的綜合收益表、綜合權益變動表和綜合現金流量表,以及主要會計政策概要及其它附註解釋。

### 董事就財務報表須承擔的責任

公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及按照香港《公司條例》的披露規定編製及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表相關的內部控制,以使財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述;選擇和應用適當的會計政策;及按情況下作出合理的會計估計。

### 核數師的責任

我們的責任是根據我們的審核對該等綜合財務報表作出意見,並僅向全體股東匯報我們的意見,除此以外本報告別無其他目的。我們概不就本報告的內容對任何人士負責或承擔任何責任。

## Independent Auditors' Report 獨立核數師報告

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 18 April 2007

我們已根據香港會計師公會頒佈之香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

審核涉及執程序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程式，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當為我們的審核意見提供基礎。

### 意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映公司及集團於二零零六年十二月三十一日的事務狀況及集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

**羅兵咸永道會計師事務所**  
香港執業會計師

香港，二零零七年四月十八日

# Consolidated Balance Sheet

## 綜合資產負債表

As at 31 December 2006  
於二零零六年十二月三十一日  
(All amounts in RMB)  
(所有金額以人民幣計值)

		Note 附註	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
<b>Non-current assets</b>	<b>非流動資產</b>			
Land use rights	土地使用權	5	70,519	56,098
Property, plant and equipment	物業、廠房及設備	6	824,057	598,315
Goodwill	商譽	31	888	—
Deferred income tax assets	遞延所得稅資產	18	3,879	3,428
			<b>899,343</b>	<b>657,841</b>
<b>Current assets</b>	<b>流動資產</b>			
Inventories	存貨	8	450,722	266,662
Trade and bills receivables	應收貿易及票據款項	9	227,452	162,190
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	10	98,099	46,245
Pledged bank deposits	已抵押銀行存款	11	14,397	8,858
Cash and cash equivalents	現金及現金等值物	11	139,887	259,972
			<b>930,557</b>	<b>743,927</b>
<b>Current liabilities</b>	<b>流動負債</b>			
Trade and bills payables	應付貿易及票據款項	15	270,549	167,269
Accruals and other payables	預提費用及其他應付賬款	16	171,786	110,491
Current income tax liabilities	當期所得稅負債		1,704	4,232
Borrowings	借貸	17	308,538	278,805
			<b>752,577</b>	<b>560,797</b>
<b>Net current assets</b>	<b>流動資產淨值</b>		<b>177,980</b>	<b>183,130</b>
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>		<b>1,077,323</b>	<b>840,971</b>
<b>Non-current liabilities</b>	<b>非流動負債</b>			
Borrowings	借貸	17	204,458	72,913
Deferred income tax liabilities	遞延所得稅負債	18	11,216	11,744
			<b>215,674</b>	<b>84,657</b>
<b>Net assets</b>	<b>資產淨值</b>		<b>861,649</b>	<b>756,314</b>
<b>EQUITY</b>	<b>股東權益</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>	<b>本公司股權持有人應佔股本及儲備</b>			
Share capital	股本	12	92,842	92,842
Reserves	儲備	14	768,807	663,472
<b>Total equity</b>	<b>股東權益總額</b>		<b>861,649</b>	<b>756,314</b>

Hong Tianzhu  
Chairman

Zhu Yongxiang  
Executive Director

洪天祝  
主席

朱永祥  
執行董事

The accompanying notes are an integral part of these consolidated financial statements.

附註為此綜合財務報表的一部份。

## Balance Sheet

### 資產負債表

As at 31 December 2006  
於二零零六年十二月三十一日  
(All amounts in RMB)  
(所有金額以人民幣計值)

		Note 附註	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
<b>Non-current assets</b>	<b>非流動資產</b>			
Investments in subsidiaries	於附屬公司的投資	7	246,989	246,592
Property, plant and equipment	物業、廠房及設備	6	790	461
			<b>247,779</b>	247,053
<b>Current assets</b>	<b>流動資產</b>			
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	10	732	666
Due from subsidiaries	應收附屬公司款項	7	243,371	257,294
Cash and cash equivalents	現金及現金等值物	11	525	367
			<b>244,628</b>	258,327
<b>Current liabilities</b>	<b>流動負債</b>			
Accruals	預提費用	16	2,768	2,828
Due to a subsidiary	應付附屬公司款項	7	580	568
			<b>3,348</b>	3,396
<b>Net current assets</b>	<b>流動資產淨值</b>		<b>241,280</b>	254,931
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>		<b>489,059</b>	501,984
<b>Net assets</b>	<b>資產淨值</b>		<b>489,059</b>	501,984
<b>EQUITY</b>	<b>權益</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>	<b>本公司股權持有人應佔資本及儲備</b>			
Share capital	股本	12	92,842	92,842
Reserves	儲備	14	396,217	409,142
<b>Total equity</b>	<b>權益總額</b>		<b>489,059</b>	501,984

Hong Tianzhu  
Chairman

Zhu Yongxiang  
Executive Director

洪天祝  
主席

朱永祥  
執行董事

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

附註為此財務報表的一部份。

## Consolidated Income Statement

### 綜合收益表

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB)  
(所有金額以人民幣計值)

		Note 附註	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Sales	營業額	19	2,667,216	1,915,965
Cost of sales	銷售成本	20	(2,264,353)	(1,573,268)
<b>Gross profit</b>	<b>毛利</b>		<b>402,863</b>	<b>342,697</b>
Selling and distribution costs	銷售及分銷開支	20	(64,849)	(50,868)
General and administrative expenses	一般及行政開支	20	(110,817)	(93,498)
Other gains – net	其他收益 – 淨額	19	15,609	13,489
<b>Operating profit</b>	<b>經營溢利</b>		<b>242,806</b>	<b>211,820</b>
Finance income	財務收入		4,431	3,443
Finance costs	財務開支		(32,443)	(18,188)
Finance costs – net	財務開支 – 淨額	22	(28,012)	(14,745)
<b>Profit before income tax</b>	<b>除所得稅前溢利</b>		<b>214,794</b>	<b>197,075</b>
Income tax expense	所得稅開支	23	(24,258)	(16,865)
<b>Profit for the year, attributable to equity holders of the Company</b>	<b>年內本公司股權持有人應佔溢利</b>		<b>190,536</b>	<b>180,210</b>
<b>Earnings per share for profit attributable to the Company's equity holders during the year (expressed in RMB per share)</b>	<b>年內本公司股權持有人應佔溢利之每股盈利 (以每股人民幣表示)</b>			
– basic	– 基本	26	0.22	0.21
– diluted	– 攤薄	26	0.22	0.21
<b>Dividends</b>	<b>股息</b>	27	<b>60,949</b>	<b>59,296</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB)  
(所有金額以人民幣計值)

		Note 附註	Attributable to equity holders of the Company 本公司股權持有人應佔		
			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
<b>Balance at 1 January 2005</b>	於二零零五年一月一日的結餘		92,842	482,829	575,671
Profit for the year	年度溢利		–	180,210	180,210
Employees share option scheme – value of employee services	僱員購股權計劃 – 僱員服務價值	13	–	433	433
<b>Balance at 31 December 2005</b>	於二零零五年十二月三十一日的結餘		<u>92,842</u>	<u>663,472</u>	<u>756,314</u>
<b>Balance at 1 January 2006, as per above</b>	於二零零六年一月一日的結餘，如上呈列		92,842	663,472	756,314
Profit for the year	年度溢利		–	190,536	190,536
Dividend relating to 2005	有關二零零五年的股息	27	–	(59,296)	(59,296)
Dividend relating to 2006	有關二零零六年的股息	27	–	(25,905)	(25,905)
<b>Balance at 31 December 2006</b>	於二零零六年十二月三十一日的結餘		<u>92,842</u>	<u>768,807</u>	<u>861,649</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB)  
(所有金額以人民幣計值)

		Note 附註	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
<b>Cash flows from operating activities</b>	<b>來自經營活動的現金流量</b>			
Cash generated from operations	經營所產生的現金	28	99,886	211,262
Interest received	已收利息		4,431	3,443
Interest paid	已付利息		(35,214)	(19,914)
Income tax paid	已付所得稅		(27,765)	(22,598)
Net cash generated from operating activities	經營活動產生現金淨額		41,338	172,193
<b>Cash flows from investing activities</b>	<b>來自投資活動的現金流量</b>			
Acquisition of subsidiary, net of cash and cash equivalents acquired	收購附屬公司，扣除所收購的現金及現金等值物	31	3,560	—
Purchase of property, plant and equipment	購買物業、廠房及設備		(223,063)	(250,323)
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	28	1,871	2,560
Prepaid operating lease payments for land use rights	土地使用權的預付營運租賃款項		(26,336)	(12,041)
Government grant received	已收政府補助		11,020	—
Net cash used in investing activities	投資活動所耗現金淨額		(232,948)	(259,804)
<b>Cash flows from financing activities</b>	<b>來自融資活動的現金流量</b>			
Proceeds from borrowings	借貸所得款		603,026	382,530
Proceeds from government borrowings	已收政府貸款		—	11,500
Repayments of borrowings	償還貸款		(429,261)	(266,948)
Repayment of government borrowings	償還政府貸款		(11,500)	—
Dividends paid to Company's equity holders	支付股息予本公司股權持有人		(85,201)	(25,000)
Increase in pledged bank deposits	已抵押銀行存款增加		(5,539)	(1,744)
Net cash generated from financing activities	融資活動所得現金淨額		71,525	100,338
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>現金及現金等值物(減少)/增加淨額</b>		<b>(120,085)</b>	<b>12,727</b>
Cash and cash equivalents at beginning of the year	年初之現金及現金等值物		259,972	247,245
<b>Cash and cash equivalents at end of the year</b>	<b>年終之現金及現金等值物</b>		<b>139,887</b>	<b>259,972</b>

The accompanying notes are an integral part of these consolidated financial statements.

附註為此綜合財務報表的一部份。

# Notes to the Consolidated Financial Statements

## 綜合財務報告附註

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 1. GENERAL INFORMATION

Texhong Textile Group Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the manufacturing and sale of yarn, 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 (the “Stock Exchange”) since 9 December 2004.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Company's Board of Directors on 18 April 2007.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, which are carried at fair value.

### 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、坯布及染色布料。

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 2681 GT, George Town, Grand Cayman, British West Indies。

自從二零零四年十二月九日起，本公司股份已經在香港聯合交易所有限公司(「聯交所」)主板上市。

除另有指明外，綜合財務報表以人民幣(人民幣)呈列。此等綜合財務報表已於二零零七年四月十八日獲董事會通過可予刊發。

### 2. 主要會計政策概要

綜合財務報表包含於二零零六年十二月三十一日的綜合及本公司資產負債表、截至該日止年度的綜合收益表、綜合權益變動表及綜合現金流量表，以及主要會計政策概要及其他說明附註。

編撰有關綜合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

綜合財務報表按香港財務報告準則(「香港財務報告準則」)編製。除以公允價值列賬之樓宇使用評估價值外，綜合財務報表以歷史成本慣例編製。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

- (a) *New standards and interpretations to existing standards that are not yet effective and the Group has not early adopted or these new standards and interpretations are not relevant to the Group's operations*

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2006 or later periods but the Group has not early adopted or these new standards and interpretations are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKAS 29", Financial Reporting in Hyperinflationary Economies, effective for annual periods beginning on or after 1 March 2006. Management does not expect the interpretation to be relevant to the Group;
- HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1 May 2006. It requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of HKFRS 2. Management expects the interpretation will have no material impact to the Group;

### 2. 主要會計政策概要 (續)

#### 2.1 編製基準 (續)

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集團會計政策過程中運用其判斷。涉及高程度的判斷或複雜性，或假設及估計對綜合財務報表為重要的範圍披露於附註4。此等估計及假設影響於財務報表日期之資產及負債的呈報金額及或然資產與負債之披露，以及年內收支的呈報金額。雖然此等估計乃建基於管理層對事件及行動所知，最終的實際結果可能有別於估計。

- (a) *尚未生效且本集團並無提早採納該等新準則及現有準則詮釋，且該等新準則及詮釋與本集團之業務無關*

以下為已經頒佈，並且於二零零六年三月一日或之後開始之本集團會計期間須強制遵守之新準則及現有準則詮釋，惟本集團並無提早採納該等新準則及現有準則詮釋，且該等新準則及詮釋與本集團之業務無關：

- 香港財務報告詮釋委員會第7號，採用根據香港會計準則第29號「惡性通脹經濟財務報告」之重列處理法（於二零零六年三月一日或之後開始之年度期間生效）；管理層預期該詮釋與本集團之業務無關。
- 香港財務報告詮釋委員會第8號，香港財務報告準則第2號之範圍（於二零零六年五月一日或之後開始之年度期間生效）。該詮釋規定凡涉及發行權益工具的交易（當中所收取的可識別代價低於所發行權益工具的公允價值）必須確定其是否屬於香港財務報告準則第2號的範圍內。管理層預期該詮釋將不會對本集團構成重大影響。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

(a) *New standards and interpretations to existing standards that are not yet effective and the Group has not early adopted or these new standards and interpretations are not relevant to the Group's operations (Continued)*

- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group has already assessed if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9;
- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. It prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. Management does not expect the interpretation to be relevant to the Group;
- HK(IFRIC)-Int 11, 'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation clarifies that certain types of transaction are accounted for as equity-settled or cash-settled under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. Management does not expect the interpretation to be relevant to the Group;

### 2. 主要會計政策概要 (續)

#### 2.1 編製基準 (續)

(a) 尚未生效且本集團並無提早採納該等新準則及現有準則詮釋，且該等新準則及詮釋與本集團之業務無關 (續)

- 香港財務報告詮釋委員會第9號，重新評估嵌入式衍生工具 (於二零零六年六月一日或之後開始之年度期間生效)。管理層相信，該詮釋不會對重估嵌入式衍生工具造成重大影響，因為本集團已評估嵌入式衍生工具應否採用與香港國際財務報告詮釋委員會第9號相符之原則分開處理。
- 香港財務報告詮釋委員會第10號，中期財務報告及減值 (於二零零六年十一月一日或之後開始之年度期間生效)。該詮釋禁止在中期期間確認按公允價值列賬的商譽、權益工具的投資和財務資產投資的減值虧損，在之後的結算日按成本撥回。管理層預期該詮釋與本集團無關。
- 香港財務報告詮釋委員會第11號，集團及庫存股份交易 (於二零零七年三月一日或之後開始之年度期間生效)。該詮釋明確規定若干類型的交易須根據香港財務報告準則第2號入賬列為股本或現金結算交易，亦列明涉及同一集團屬下兩家或以上公司交易以股本結算的入賬方法。管理層預期該詮釋與本集團無關。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

(a) *New standards and interpretations to existing standards that are not yet effective and the Group has not early adopted or these new standards and interpretations are not relevant to the Group's operations (Continued)*

- HK(IFRIC)-Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1 January 2008. It applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. Management does not expect the interpretation to be relevant to the Group;
- HKFRS 7, "Financial instruments: Disclosures", and the complementary Amendment to HKAS 1, "Presentation of Financial Statements - Capital Disclosures", effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and Amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by Amendment of HKAS 1. The Group will apply HKFRS 7 and Amendment to HKAS 1 from annual periods beginning on 1 January 2007;
- HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 introduces the management approach to segment reporting and emphasises the disclosures of the measures used to manage the business. The Group assessed the impact of HKFRS 8 and concluded that it will affect the presentation of segment information of the Group.

### 2. 主要會計政策概要 (續)

#### 2.1 編製基準 (續)

(a) 尚未生效且本集團並無提早採納該等新準則及現有準則詮釋，且該等新準則及詮釋與本集團之業務無關 (續)

- 香港財務報告詮釋委員會第12號，服務經營權安排 (於二零零八年一月一日或以後開始之年度期間生效)。該詮釋對參與服務經營權的公司適用，並提供了對公共對私有服務經營權安排經營的會計指引。管理層預期該詮釋與本集團無關。
- 香港財務報告準則第7號，金融工具：披露及香港會計準則第1號補充修訂，呈列金融工具－資本披露；於二零零七年一月一日或之後開始之年度期間生效。本集團已評估香港財務報告準則第7號及香港會計準則第1號修訂本之影響，結論為主要額外披露項目將為對香港會計準則第1號修訂本規定之市場風險及資本披露敏感度分析。本集團將自二零零七年一月一日起年度期間應用香港財務報告準則第7號及香港會計準則第1號修訂本。
- 香港財務報告準則第8號，營運分類 (於二零零九年一月一日或以後開始之年度期間生效)。香港財務報告準則第8號制定分類報告之管理模式及強調用以管理業務之方法之披露。本集團已就香港財務報告準則第8號作出評估，且結論為該準則將會對本集團分類資料之呈列構成影響。



## Notes to the Consolidated Financial Statements 綜合財務報告附註

For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### (b) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment) – Employee Benefits;
- HKAS 21 (Amendment) – New Investment in a Foreign Operation;
- HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment) – The Fair Value Option;
- HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee Contracts;
- HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards and HKFRS 6 (Amendment) – Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4 – Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

### 2. 主要會計政策概要 (續)

#### 2.1 編製基準 (續)

##### (b) 於二零零六年生效但與本集團業務無關之準則、修訂及詮釋

以下為於二零零六年一月一日或之後開始之會計期間須強制遵守但與本集團業務無關之準則、修訂及詮釋：

- 香港會計準則第19號 (修訂本) – 僱員福利；
- 香港會計準則第21號 (修訂本) – 於海外業務之新投資；
- 香港會計準則第39號 (修訂本) – 預測集團內部交易之現金流量對沖會計處理；
- 香港會計準則第39號 (修訂本) – 選擇以公允價值入賬；
- 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；
- 香港財務報告準則第6 – 礦產資源勘探及評估；
- 香港財務報告準則第1號 (修訂本) – 首次採納國際財務報告準則及香港財務報告準則第6號 (修訂本) – 礦產資源勘探及評估；
- 香港財務報告詮釋委員會第4號 – 釐定安排是否包括租賃；
- 香港財務報告詮釋委員會第5號 – 終止運作、復原及環境修復基金產生權益之權利；
- 香港財務報告詮釋委員會第6號 – 參與特定市場產生之負債 – 廢棄電力及電子設備

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For the year ended 31 December 2006  
截至二零零六年十二月三十一日止年度  
(All amounts in RMB unless otherwise stated)  
(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Consolidation

These consolidated financial statements include the financial statements of the Company and all of 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.

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 unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2. 主要會計政策概要(續)

#### 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。

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允價值、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允價值作出初步計量，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允價值，則有關差額將直接在收益表內確認。

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，除非該交易可證明轉讓資產出現減值。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。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Consolidation (Continued)

In the Company's balance sheet the investments in subsidiaries are stated at cost less accumulated impairment losses, if any (Note 2.8). 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.

#### 2.4 Foreign currency translation

##### (a) Functional and presentation currency

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, which is the Company's functional and presentation currency.

##### (b) Transactions and balances

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.

### 2. 主要會計政策概要 (續)

#### 2.2 綜合 (續)

於本公司之資產負債表，於附屬公司之投資乃以成本扣除累計減值虧損（如有）（附註2.8）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 分部報告

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。

#### 2.4 外幣換算

##### (a) 功能及呈報貨幣

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) 交易及結餘

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，均於收益表內確認。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

(All amounts in RMB unless otherwise stated)

(除另有指明外，所有金額以人民幣計值)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.4 Foreign currency translation (Continued)

##### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

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.

### 2. 主要會計政策概要 (續)

#### 2.4 外幣換算 (續)

##### (c) 集團公司

功能貨幣與列賬貨幣不同的所有集團實體(當中沒有嚴重通脹貨幣)的業績和財務狀況按如下方法換算為列賬貨幣:

- 每份呈報的資產負債表內的資產和負債按該資產負債表日期的收市匯率換算;
- 每份收益表內的收入和費用按平均匯率換算(除非此匯率並不代表交易日期匯率的累計影響的合理約數;在此情況下,收支項目按交易日期的匯率換算);及
- 所有由此產生的匯兌差額確認為權益的獨立組成項目。

在編製綜合帳時,折算海外業務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。當出售部份或全部海外業務時,於權益入帳之匯兌差異將於收益表內確認為出售收益或虧損的一部分。

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。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.8).

#### 2.6 Property, plant and equipment

Buildings mainly comprise factories and offices. 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 is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

### 2. 主要會計政策概要 (續)

#### 2.5 商譽

商譽指收購成本超過於收購日期本集團應佔所收購附屬公司的淨可識別資產公允價值的數額。分開確認的商譽每年就減值進行測試，並按成本減累計減值虧損列賬。商譽的減值虧損不會撥回。出售某個實體的盈虧包括與被出售實體有關的商譽的賬面值。

就減值測試而言，商譽會分配至現金產生單位。分配乃對於預期可從產生商譽之業務合併中受益的現金產生單位或現金產生單位組別而作出(附註2.8)。

#### 2.6 物業、廠房及設備

樓宇主要包括工廠及辦公室。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允價值列示。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。

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)。所替換之部份的賬面值乃撇除確認。所有其他維護及保養費用均需於產生時於該財務期間之收益賬扣除。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.6 Property, plant and equipment (Continued)

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

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

– Buildings	15 to 40 years
– Machinery and equipment	6 to 15 years
– Furniture and fixtures	5 to 10 years
– Motor vehicles	5 to 7 years

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

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 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statements. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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.

### 2. 主要會計政策概要 (續)

#### 2.6 物業、廠房及設備 (續)

房產重估後之賬面增值撥入股東權益之重估儲備中。與同一資產早前之增值作對銷之減值部分，直接於權益項中之重估儲備中扣減；餘下之減值額則於收益賬內扣除。每年，根據於收益表扣除之資產的重估賬面值得出之折舊，與根據資產原來成本得出之折舊的差額乃從「重估儲備」撥轉至保留溢利。

其他資產的折舊以直線法，將其成本值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40年
– 機器及設備	6至15年
– 傢俬及裝置	5至10年
– 汽車	5至7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。

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2.8）。

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，其他儲備內的金額轉移至保留溢利。

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。



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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Land use rights

The premiums paid to acquire land use rights are recorded as prepayment for operating lease, and are amortised using the straight-line method over the period of the land use rights of 50 years.

#### 2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.9 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 related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

#### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (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. 主要會計政策概要 (續)

#### 2.7 土地使用權

就土地使用權利支付的溢價視作營運租賃的預付款項，並按直線法於土地使用權的50年期間內攤銷。

#### 2.8 於附屬公司的投資及非財務資產減值

可使用年期不確定之資產不予攤銷並每年進行減值測試。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。除商譽外減值的資產將於各申請日期檢討撥回減值的可能性。

#### 2.9 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。

與資產有關之政府補助乃於扣減補後以得出資產賬面值後在資產負債表呈列。

#### 2.10 存貨

存貨以成本或可變現淨值兩者之較低者入賬。成本以加權平均法釐定。製成品及在製品之成本包括原料、直接勞工、其他直接成本及相關間接生產成本（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。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Trade and other receivables

Trade and other 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 the 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

#### 2.12 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.

#### 2.13 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 from the proceeds.

#### 2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2. 主要會計政策概要 (續)

#### 2.11 應收貿易款項及其他應收賬款

應收貿易款項及其他應收賬款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原訂實際利率估計未來現金流量的現值兩者的差額。資產之賬面值乃通過撥備賬的使用而扣減，而虧損金額在收益表一般及行政開支內確認。若應收貿易款項不能收回時，則會與應收貿易款項之撥備賬撇銷。若其後收回先前已撇銷之款項，則計入收益表內的一般及行政開支。

#### 2.12 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。

#### 2.13 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。

#### 2.14 應付貿易款項

應付貿易款項最初按公允價值確認，其後以實際利率法按攤銷成本計量。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

#### 2.16 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 it 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.

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. 主要會計政策概要 (續)

#### 2.15 借貸

借貸最初乃按公允價值（扣除已產生之交易成本）確認。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收益表內確認。

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。

#### 2.16 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稅率及（法例）釐定。

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。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.17 Employee 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 employment costs 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.

##### (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.

### 2. 主要會計政策概要 (續)

#### 2.17 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用成本，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。

##### (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，並於收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。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.17 Employee benefits (Continued)

##### (c) Share-based compensation (Continued)

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.

#### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable 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.

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.

#### 2.19 Revenue recognition

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

### 2. 主要會計政策概要 (續)

#### 2.17 僱員福利 (續)

##### (c) 以股份作補償 (續)

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。

#### 2.18 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。

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。

#### 2.19 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。



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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.19 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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) *Subsidy income*

Subsidy income represents the discretionary subsidies granted by various government authorities. It is recognised when received.

(c) *Commission income*

Commission income is recognised when the total amount of revenue and costs arising from the 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.

(d) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduced the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and the continuous unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### 2. 主要會計政策概要 (續)

#### 2.19 收益確認 (續)

當收益的數額能夠可靠計量、未來經濟利益有可能流入有關實體，而本集團每項活動均符合具體條件時（如下文所述），本集團便會將收益確認。除非與銷售有關之所有或然事項均已解決，否則收益的數額不被視為能夠可靠計量。本集團會根據其往績並考慮客戶類別、交易種類和每項安排的特點作出估計。

(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) *補助收入*

補助收入代表不同政府部門提供之酌定補助。補助收入於接獲時確認。

(c) *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約流入之時，及能可靠計算提供的服務的完成階段之時確認。

(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。當應收賬款出現減值時，本集團將賬面值削減至可收回金額，即按有關金融工具之原訂實際利率貼現之估計未來現金流量，以及持續貼現之利息收入。減值貸款之利息收入按原訂實際利率確認。



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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.20 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

#### 2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

#### 2.22 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

#### 2.23 Operating leases (as the lessee)

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 to the income statement on a straight-line basis over the period of the lease.

### 2. 主要會計政策概要 (續)

#### 2.20 借貸成本

建造任何合資格資產所錄得之借貸成本乃於完成及準備資產作擬定用途之期間內資本化。其他借貸成本予以支銷。

#### 2.21 或然負債

或然負債指因為過往事件而可能引起之承擔，而其存在只能就集團控制範圍以外之一宗或多宗不確定未來事件之出現而確認。或然負債亦可能是因為過往事件引致之現有承擔，但由於可能不需要有經濟資源流出，或承擔金額未能可靠衡量而未有記賬。或然負債不會確認，但會在財務報表附註中披露。假若資源流出之可能性改變導致可能出現資源流出，則會確認準備。

#### 2.22 財務擔保

財務擔保合約（一種保險合約）是指合約持有人可因某特定債務人未能根據債務工具條款在到期日作出支付產生損失而可向合約發行人要求作出補償之合約。本集團於訂立財務擔保時不會確認負債，但會於各結算日測試負債的充足程度，方法為比較財務擔保之負債淨額與假設財務擔保將導致現有法律或推定責任時所需金額。倘負債少於其現有法律或推定責任金額，則差額將即時全數於收益表確認。

#### 2.23 經營租約（作為承租人）

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收益表扣除。

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.24 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.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. Management regularly monitors the financial risks of the Group. Management will designate certain derivatives to mitigate foreign currency risk and interest rate risk when the related risks are considered material.

##### (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 and United States dollars ("USD"). Foreign exchange risk also 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. The Group's exposure to foreign exchange risk is mainly attributable to its bank borrowings denominated in USD. When foreign exchange risk is considered to be significant, the Group would designate certain derivatives to mitigate the foreign currency risk associated.

##### (ii) 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. It also has policies that limit the amount of credit exposure to any financial institution.

### 2. 主要會計政策概要 (續)

#### 2.24 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. 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：外匯風險、信貸風險、流動資金風險及利率風險。管理層定期監察本集團之財務風險。若有關風險屬重大，管理層將訂立若干衍生工具以減低外匯風險及利率風險。

##### (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及美元計值。外匯風險亦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。本集團之外匯風險主要來自美元銀行借貸。若外匯風險被視為重大，本集團將訂定若干衍生工具以減低相關外匯風險。

##### (ii) 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。本集團亦訂有政策以限制面向任何金融機構之信貸風險金額。

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### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (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.

- (iv) *Cash flow and fair value interest rate risk*  
Interest income from bank deposits contributed less than 3% of the Group's profit for the year ended 31 December 2006. As the Group has no other significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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 17. When interest rate risk is considered to be significant, the Group would enter into interest rate swaps to mitigate the related risks.

#### 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)

##### (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。

- (iv) *現金流量及公平價值利率風險*  
銀行存款之利息收入佔本集團截至二零零六年十二月三十一日止年度溢利不足3%。由於本集團並無其他重大付息資產，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17。若利率風險被視為重大，本集團可進行利率掉期以減低相關風險。

#### 3.2 公允價值估計

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允價值相若。於披露財務負債的公允價值時，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。

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors action 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. Actual economic lives may differ from estimated useful lives, and actual residual values may differ from estimated residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore changes in depreciation expenses in the future periods.

#### 4.2 Impairment of property, plant and equipment and intangible assets (other than goodwill)

Property, plant and equipment and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

### 4. 重大會計估計及判斷

各項估計及判斷均持續評估，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 廠房、機器及設備之估計可使用年期及剩餘價值

本集團之管理層釐定其廠房、機器及設備之估計可使用年期及剩餘價值以及相關折舊費用。該估計乃根據類似性質及功能之廠房、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。實際經濟年期可能與估計之可使用年期不同，而實際剩餘價值可能與估計之剩餘價值不同。定期檢討可使可折舊年期及剩餘價值出現變動，因而引致未來期間之折舊開支有變。

#### 4.2 物業、廠房及設備以及無形資產（商譽除外）之減值

物業、廠房及設備以及無形資產（商譽除外）在某些事件發生或環境變化導致資產之賬面值可能無法收回時，則會進行減值審核。可收回金額已按可使用價值計算方法或市場估值釐定。該等計算方法需要作出判斷和估計。

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### 4.2 Impairment of property, plant and equipment and intangible assets (other than goodwill) (Continued)

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

#### 4.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

#### 4.4 Trade, bills and other receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

### 4. 重大會計估計及判斷 (續)

#### 4.2 呆賬估計撥備 (續)

管理層需要運用判斷以釐定資產減值，尤其是評估：(i)是否已發生事件顯示相關資產價值可能不可收回；(ii)按在業務中持續使用資產而估計該項資產之可收回金額（為資產公平價值減銷售成本與未來現金流量之淨現值兩者中之較高者）能否支持該項資產之賬面值；以及(iii)在編製現金流量預測時使用之適當主要假設，包括該等現金流量預測是否按適當比率貼現。倘改變管理層用以評估減值之假設（包括現金流量預測中採用之貼現率或增長率假設），可能會對減值測試中使用之淨現值產生重大影響，因而影響本集團之財政狀況及營運業績。倘該業務之預測表現及所實現之未來現金流量預測出現重大逆轉，則可能有必要於收益表中作減值支出。

#### 4.3 存貨之可變現淨值

存貨之可變現淨值乃經扣除完成之估計成本及銷售開支後之日常業務估計售價。該等估計乃基於現行市況及製造與銷售性質類似產品之過往經驗而定，可能會因客戶喜好改變及競爭對手為回應嚴峻行業週期採取之行動而出現重大變動。管理層將於結算日前重新評估該等估計。

#### 4.4 應收貿易及票據款項以及其他應收賬款

本集團管理層按照應收款項之可收回程度釐定應收貿易及票據款項以及其他應收賬款減值撥備。此評估乃根據其客戶及其他債務人過往之信貸記錄以及當時市況而定，並需作出判斷及估計。管理層於各結算日會重新評估撥備。



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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### 4.5 Income taxes

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

### 5. LAND USE RIGHTS

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

In Mainland China held on:	於中國大陸持有:
Land use rights of between	10至50年的土地
10 to 50 years	使用權

Land use rights with a net book amount of approximately RMB32,245,000 (2005: RMB36,510,000) was pledged as collateral of the Group's bank borrowings (Note 17).

Beginning of the year	年初	56,098	44,969
Additions	添置	26,336	12,041
Government grants received	已收政府補助	(11,020)	—
Amortisation of prepaid operating — lease payment (Note 20)	預付營運租賃款項 的攤銷 (附註20)	(895)	(912)
End of the year	年終	70,519	56,098

Amortisation expense has been included in general and administrative expenses.

As at 31 December 2006, land use rights amounting to RMB5,421,000 (2005: RMB4,400,000) consisted of cost of RMB38,330,000 (2005: RMB26,289,000), less related government grant of RMB32,909,000 (2005: RMB21,889,000) which was deducted from the acquisition cost.

### 4. 重大會計估計及判斷 (續)

#### 4.5 所得稅

凡管理層認為日後極可能有應課稅溢利用作抵銷暫時差額或稅項虧損，則若干暫時差額及稅項虧損有關的遞延稅項資產將予確認。倘預期金額與原定估計不同，則該差額將會影響該估計出現變動期間內的遞延稅項資產及所得稅支出的確認。

### 5. 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：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
70,519	56,098

賬面淨值約人民幣32,245,000元（二零零五年：人民幣36,510,000元）的土地使用權乃抵押作本集團銀行借貸的抵押品（附註17）。

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
56,098	44,969
26,336	12,041
(11,020)	—
(895)	(912)
70,519	56,098

攤銷開支已計入一般及行政開支。

於二零零六年十二月三十一日，土地使用權價值為人民幣5,421,000元（二零零五年：人民幣4,400,000元），為成本人民幣38,330,000元（二零零五年：人民幣26,289,000元）減去從收購成本中扣減的相關政府補助人民幣32,909,000元（二零零五年：人民幣21,889,000元）。



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### 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
<b>At 1 January 2005</b>	於二零零五年 一月一日						
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
<b>Year ended 31 December 2005</b>	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 (Note 28)	出售 (附註28)	-	(1,726)	(39)	(149)	-	(1,914)
Depreciation (Note 20)	折舊 (附註20)	(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
<b>At 31 December 2005</b>	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
<b>Year ended 31 December 2006</b>	截至二零零六年 十二月三十一日止年度						
Opening net book amount	期初賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315
Acquisition of a subsidiary (Note 31)	收購一家附屬公司 (附註31)	30,268	45,765	68	575	1,688	78,364
Additions	添置	5,223	37,699	4,075	3,543	156,333	206,873
Transfers	轉讓	82,177	245,397	-	-	(327,574)	-
Disposals (Note 28)	出售 (附註28)	(1)	(1,593)	-	(1,126)	-	(2,720)
Depreciation (Note 20)	折舊 (附註20)	(7,483)	(46,417)	(1,261)	(1,614)	-	(56,775)
Closing net book amount	期末賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057
<b>At 31 December 2006</b>	於二零零六年 十二月三十一日						
Cost or valuation	成本或估值	219,793	679,067	8,797	10,751	65,002	983,410
Accumulated depreciation	累計折舊	(15,077)	(138,613)	(2,751)	(2,912)	-	(159,353)
Net book amount	賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057

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### 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings with net book amount of RMB83,278,000 (2005: RMB87,378,000) 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 reserve in equity (Note 14).

Depreciation expense has been charged as to RMB48,981,000 (2005: RMB29,638,000) in cost of sales, RMB825,000 (2005: RMB575,000) in selling and distribution costs and RMB6,969,000 (2005: RMB4,736,000) in general and administrative expenses.

Lease rental expenses amounting to RMB3,960,000 (2005: RMB3,227,000) relating to the lease of buildings and machinery are included in the cost of sales in the consolidated income statement (Note 20).

During the year ended 31 December 2006, borrowing costs of RMB1,784,000 (2005: RMB480,000) have been capitalised as part of property, plant and equipment, which represented interest expense of RMB1,784,000 (2005: exchange gains of RMB1,570,000 and interest expense of RMB2,050,000) at an average capitalisation rate of 6.9% (2005: 6.9%) (Note 22).

As at 31 December 2006, property, plant and equipment of approximately RMB17,814,000 (2005: RMB122,375,000) were pledged as collateral of the Group's short-term bank borrowings (Note 17).

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

### 6. 物業、廠房及設備 (續)

根據獨立合資格估值公司戴德梁行有限公司進行的估值，賬面淨值為人民幣83,278,000元（二零零五年：人民幣87,378,000元）的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，計入股本內的重估儲備（附註14）。

人民幣48,981,000元（二零零五年：人民幣29,638,000元）的折舊開支已於銷售成本中支銷，人民幣825,000元（二零零五年：人民幣575,000元）的折舊開支已於銷售及分銷開支及人民幣6,969,000元（二零零五年：人民幣4,736,000元）的折舊開支已於一般及行政開支中支銷。

有關租用樓宇及機器的租金開支約人民幣3,960,000元（二零零五年：人民幣3,227,000元）包括在綜合收益表的銷售成本內（附註20）。

於截至二零零六年十二月三十一日止年度，借貸成本人民幣1,784,000元（二零零五年：人民幣480,000元）已資本化為物業、廠房及設備之部份，其中包括按年度資本化率6.9%（二零零五年：6.9%）（附註22）計算的利息開支人民幣1,784,000元（二零零五年：兌換收益人民幣1,570,000元及利息開支人民幣2,050,000元）。

於二零零六年十二月三十一日的物業、廠房及設備約人民幣17,814,000元（二零零五年：人民幣122,375,000元）抵押為本集團短期銀行貸款的抵押品（附註17）。

倘樓宇以歷史成本法列賬，金額將為如下：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Cost	成本	177,622	60,154
Accumulated depreciation	累計折舊	(13,402)	(8,524)
Net book amount	賬面淨值	164,220	51,630

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### 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of the cost or valuation at 31 December 2006 of the above assets is as follows:

### 6. 物業、廠房及設備 (續)

以上資產於二零零六年十二月三十一日的成本或估值分析為如下：

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 31 December 2006 於二零零六年 十二月三十一日						
At cost 按成本	119,446	679,067	8,797	10,751	65,002	883,063
At valuation 按估值	100,347	—	—	—	—	100,347
	219,793	679,067	8,797	10,751	65,002	983,410

The analysis of the cost or valuation at 31 December 2005 of the above assets is as follows:

以上資產於二零零五年十二月三十一日的成本或估值分析為如下：

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 31 December 2005 於二零零五年 十二月三十一日						
At cost 按成本	1,978	353,362	4,654	8,573	234,555	603,122
At valuation 按估值	100,347	—	—	—	—	100,347
	102,325	353,362	4,654	8,573	234,555	703,469

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截至二零零六年十二月三十一日止年度  
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(除另有指明外，所有金額以人民幣計值)

### 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

**Company**  
本公司

### 6. 物業、廠房及設備 (續)

**Furniture  
and  
fixtures**  
傢俬及裝置  
RMB'000  
人民幣千元

#### At 1 January 2005

Cost	於二零零五年一月一日 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)
Net book amount	賬面淨值	<u>461</u>

#### At 31 December 2005

Cost	於二零零五年十二月三十一日 成本	569
Accumulated depreciation	累計折舊	(108)
Net book amount	賬面淨值	<u>461</u>

#### Year ended 31 December 2006

	截至二零零六年十二月三十一日 止年度	
Opening net book amount	期初賬面淨值	461
Additions	添置	637
Depreciation	折舊	(308)
Net book amount	賬面淨值	<u>790</u>

#### At 31 December 2006

Cost	於二零零六年十二月三十一日 成本	1,206
Accumulated depreciation	累計折舊	(416)
Net book amount	賬面淨值	<u>790</u>

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### 7. INVESTMENTS IN AND AMOUNTS DUE FROM/ TO SUBSIDIARIES – COMPANY

Investments, at cost	按成本投資
Unlisted shares	非上市股份
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 are repayable within one year.

### 7. 於附屬公司的投資及應收／應付附屬公司款項－本公司

Company 本公司	
2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
246,989	246,592
243,371	257,294
580	568

本集團主要附屬公司詳情載於附註33。

應收／應付附屬公司款項為無抵押、免息且須予一年內償還。

### 8. INVENTORIES

Raw materials	原材料
Work-in-progress	在製品
Finished goods	製成品

The cost of inventories recognised as expense and included in cost of sales amounted to RMB2,264,353,000 (2005: RMB1,573,268,000).

During the year ended 31 December 2006, the Group made a provision for inventory write down of RMB2,197,000 (2005: RMB338,000). The amount has been included in general and administrative expenses.

Inventories of RMB60,207,000 as at 31 December 2006 (2005: RMB14,203,000) were pledged as collateral of the Group's short-term bank loans (Note 17).

### 8. 存貨

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
286,623	138,364
59,568	34,561
104,531	93,737
450,722	266,662

存貨成本人民幣2,264,353,000元(二零零五年:人民幣1,573,268,000元)確認為開支並包括在銷售成本內。

截至二零零六年十二月三十一日止年度，本集團就存貨減值撥備人民幣2,197,000元(二零零五年:人民幣338,000元)。該款項已包括在一般及行政開支中。

於二零零六年十二月三十一日的存貨人民幣60,207,000元(二零零五年:人民幣14,203,000元)抵押為本集團短期銀行貸款的抵押品(附註17)。

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(除另有指明外，所有金額以人民幣計值)

### 9. TRADE AND BILLS RECEIVABLES

### 9. 應收貿易及票據款項

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Trade receivables	應收貿易款項	118,951	127,677
Bills receivable	應收票據款項	112,402	37,790
		231,353	165,467
Less: provision for impairment of trade receivables	減：應收貿易款項減值 撥備	(3,901)	(3,277)
Trade and bills receivables – net	應收貿易及票據款項 — 淨額	227,452	162,190

The fair values of trade and bills receivables is approximate to their carrying amounts.

應收貿易及票據款項的公允價值接近其賬面值。

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

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：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
0 to 30 days	0日至30日	176,974	123,522
31 to 90 days	31日至90日	31,126	29,041
91 to 180 days	91日至180日	15,076	6,533
181 days to 1 year	181日至1年	2,616	2,307
Over 1 year	1年以上	5,561	4,064
		231,353	165,467

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

由於本集團擁有大批客戶，故應收貿易款項無集中的信貸風險。

Included in the trade receivables were amounts due from related parties of RMB4,468,000 as at 31 December 2006 (2005: RMB5,304,000) (Note 32).

於二零零六年十二月三十一日應收貿易款項中包括應收關連方款項人民幣4,468,000元（二零零五年：人民幣5,304,000元）（附註32）。



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(除另有指明外，所有金額以人民幣計值)

### 9. TRADE AND BILLS RECEIVABLES (Continued)

Trade and bills receivables are denominated in the following currencies:

RMB	人民幣
United States dollars	美元
Hong Kong dollars	港元

### 9. 應收貿易及票據款項 (續)

應收貿易及票據款項的計值貨幣如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
211,617	143,407
19,736	22,052
—	8
<b>231,353</b>	<b>165,467</b>

The Group has recognised a loss of RMB712,000 for the impairment of its trade receivables during the year ended 31 December 2006 (2005: RMB356,000). The loss has been included in general and administrative expenses.

本集團已就其於二零零六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712,000元(二零零五年：人民幣356,000元)。虧損已包括在收益表一般及行政開支內。

### 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### 10. 預付款項、按金及其他應收賬款

		Group 本集團	Company 本公司		
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Deposits for purchases of raw materials	購買原材料的按金	75,779	40,957	—	—
Staff advances	員工墊款	1,564	1,770	307	312
Other receivables	其他應收賬款	7,462	303	59	50
Value-added tax recoverable	應退增值稅	1,952	111	—	—
Prepayments	預付款項	4,077	2,590	366	207
Deposits	按金	7,265	514	—	97
		98,099	46,245	732	666

The fair values of prepayments, deposits and other receivables approximate their carrying amounts.

預付款項、按金及其他應收賬款的公允價值接近其賬面值。

## Notes to the Consolidated Financial Statements 綜合財務報告附註

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### 11. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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.

Pledged bank deposits and cash and cash equivalents were:

### 11. 已抵押銀行存款及現金及現金等值物

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。

已抵押銀行存款及現金及現金等值物為：

		Group 本集團		Company 本公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Pledged bank deposits	已抵押銀行存款	14,397	8,858	—	—
Cash at bank and in hand	銀行及手頭現金	139,887	259,972	525	367
		154,284	268,830	525	367

The effective interest rate on pledged bank deposits and cash at bank was 0.7% (2005: 0.7%) per annum.

已抵押銀行存款及銀行現金的有效息率為每年0.7% (二零零五年：0.7%)。

The average pledged bank deposits period for the year ended 31 December 2006 is 75 days (2005: 65 days).

截至二零零六年十二月三十一日止年度平均已抵押銀行存款期為75日 (二零零六年：65日)。

Pledged bank deposits and cash and cash equivalents are denominated in the following currencies:

已抵押銀行存款及現金及現金等值物的計值貨幣如下：

		Group 本集團		Company 本公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
RMB	人民幣	143,858	222,521	4	16
United State dollars	美元	9,258	45,685	7	—
Hong Kong dollars	港元	1,062	624	514	351
Others	其他	106	—	—	—
		154,284	268,830	525	367

RMB is not a freely convertible currency and the remittance of which out of Mainland China is subject to foreign exchange control restrictions imposed by the Chinese Government.

人民幣並非可自由兌換的貨幣。從中國大陸匯出人民幣須遵守中國政府所實施的外匯管制措施。

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### 12. SHARE CAPITAL

### 12. 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 千港元
Authorised:	法定：		
At 31 December 2005 and 2006	於二零零五年及二零零六年 十二月三十一日	4,000,000	400,000
Issued and fully paid:	已發行及繳足：		
At 31 December 2005 and 2006	於二零零五年及二零零六年 十二月三十一日	872,000	87,200

### 13. SHARE OPTIONS

### 13. 購股權

#### (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 remained outstanding as at 31 December 2006.

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 initial public offering.

#### (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。所有購股權於二零零六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允價值為人民幣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。

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### 13. SHARE OPTIONS (Continued)

#### (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 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 2006, no options had been granted under the Share Option Scheme (2005: Nil).

### 13. 購股權 (續)

#### (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（相當約人民幣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%。於二零零六年十二月三十一日，概無購股權根據購股權計劃授出（二零零五年：無）。

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### 14. RESERVES

### 14. 儲備

		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve <sup>(i)</sup> 資本儲備 <sup>(i)</sup> RMB'000 人民幣千元	Statutory reserves <sup>(ii)</sup> 法定儲備 <sup>(ii)</sup> RMB'000 人民幣千元	Revaluation reserve 重估儲備 RMB'000 人民幣千元	Retained earnings 保留溢利 RMB'000 人民幣千元	Total 小計 RMB'000 人民幣千元
	Group 本集團						
Balance at 1 January 2005	於二零零五年一月一日的結餘	175,384	162,041	37,328	33,854	74,222	482,829
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)	–
Transfer from revaluation reserve to retained earnings	轉撥重估儲備至保留溢利						
– gross	– 毛額	–	–	–	(3,009)	3,009	–
– deferred income tax	– 遞延所得稅	–	–	–	311	(311)	–
Profit for the year	年度溢利	175,817	162,041	58,495	31,156	55,753	483,262
		–	–	–	–	180,210	180,210
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	235,963	663,472
Balance at 1 January 2006, as per above	於二零零六年一月一日的結餘，如上文所列	175,817	162,041	58,495	31,156	235,963	663,472
Transfer to statutory reserves	轉撥至法定儲備	–	–	21,172	–	(21,172)	–
Transfer from revaluation reserve to retained earnings	轉撥重估儲備至保留溢利						
– gross	– 毛額	–	–	–	(2,218)	2,218	–
– deferred income tax (Note 18)	– 遞延所得稅 (附註18)	–	–	–	528	(528)	–
Profit for the year	年度溢利	175,817	162,041	79,667	29,466	216,481	663,472
Dividend relating to 2005	有關二零零五年股息	–	–	–	–	190,536	190,536
Dividend relating to 2006	有關二零零六年股息	–	–	–	–	(59,296)	(59,296)
		–	–	–	–	(25,905)	(25,905)
Balance at 31 December 2006	於二零零六年十二月三十一日的結餘	175,817	162,041	79,667	29,466	321,816	768,807

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### 14. RESERVES (Continued)

### 14. 儲備 (續)

		Company 本公司			
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve <sup>(i)</sup> 股本儲備 <sup>(i)</sup> RMB'000 人民幣千元	Retained earnings 保留溢利 RMB'000 人民幣千元	Total 小計 RMB'000 人民幣千元
Balance at 1 January 2005	於二零零五年 一月一日的結餘	175,384	172,319	(3,933)	343,770
Profit for the year	年度溢利	—	—	64,939	64,939
Employee share option scheme — value of employee services	僱員購股權計劃 — 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	61,006	409,142
Balance at 1 January 2006, as per above	於二零零六年一月一日 的結餘，如上文所列	175,817	172,319	61,006	409,142
Profit for the year	年度溢利	—	—	72,276	72,276
Dividend relating to 2005	有關二零零五年股息	—	—	(59,296)	(59,296)
Dividend relating to 2006	有關二零零六年股息	—	—	(25,905)	(25,905)
Balance at 31 December 2006	於二零零六年十二月 三十一日的結餘	175,817	172,319	48,081	396,217

#### Notes:

#### 附註：

- (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.

- (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。

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.

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。



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### 15. TRADE AND BILLS PAYABLES

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

The ageing analysis of the trade and bills payable were as follows:

0 to 90 days 0日至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

Trade and bills payables are denominated in the following currencies:

RMB 人民幣  
United States dollars 美元  
Hong Kong dollars 港元

### 15. 應付貿易款項及票據款項

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
187,899	164,269
82,650	3,000
<b>270,549</b>	<b>167,269</b>

應付貿易款項及票據款項的賬齡分析如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
237,460	155,815
28,275	6,884
3,076	2,337
1,738	2,233
<b>270,549</b>	<b>167,269</b>

應付貿易款項及票據款項的計值貨幣如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
228,399	143,635
42,150	16,059
—	7,575
<b>270,549</b>	<b>167,269</b>

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### 16. ACCRUALS AND OTHER PAYABLES

### 16. 預提費用及其他應付賬款

		Group 本集團		Company 本公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Accrued wages and salaries	應計工資及薪酬	18,991	14,550	—	—
Other accrual of expenses	其他應計開支	10,307	11,165	2,768	2,828
Deposits from customers	客戶按金	12,841	9,893	—	—
Other deposits	其他按金	8,034	5,743	—	—
Payables for purchase of property, plant and equipment	購買物業、廠房及設備應付賬款	15,608	33,582	—	—
Payable to former principal shareholder of a subsidiary resulting from an acquisition (Note 31)	因收購而應付一家附屬公司之前主要股東支付之款項(附註31)	67,578	—	—	—
Other payables	其他應付賬款	32,044	28,804	—	—
Tax payables other than enterprise income tax	應付稅項(企業所得稅除外)	6,383	6,754	—	—
		171,786	110,491	2,768	2,828

Included in deposits from customers were amounts due to related parties of RMB549,000 as at 31 December 2006 (2005: RMB247,000) (Note 32).

客戶按金包括於二零零六年十二月三十一日的應付關聯方款項人民幣549,000元(二零零五年:人民幣247,000元)(附註32)。

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### 17. BORROWINGS

### 17. 借貸

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
<b>Current</b>	<b>即期</b>		
– unsecured bank borrowings	– 無抵押銀行貸款	13,507	–
– unsecured government loans	– 無抵押政府貸款	–	11,500
– secured bank borrowings (Note (a))	– 有抵押銀行貸款 (附註(a))	61,500	138,900
– other bank borrowings (Note (b))	– 其他銀行貸款 (附註(b))	233,531	128,405
		<b>308,538</b>	<b>278,805</b>
<b>Non-current</b>	<b>非即期</b>		
– unsecured bank borrowings (Note (c))	– 無抵押銀行貸款 (附註(c))	64,428	72,913
– other bank borrowings (Note (b))	– 其他銀行貸款 (附註(b))	140,030	–
		<b>204,458</b>	<b>72,913</b>
<b>Total borrowings</b>	<b>借貸總額</b>	<b>512,996</b>	<b>351,718</b>

Notes:

附註:

(a) Bank borrowings of RMB61,500,000 (2005: RMB138,900,000) were secured by the followings:

(a) 人民幣61,500,000元(二零零五年: 人民幣138,900,000元)的銀行貸款以下列項目作擔保:

(i) pledge of the Group's land use rights with a net book amount of approximately RMB32,245,000 as at 31 December 2006 (2005: RMB36,510,000) (Note 5);

(i) 本集團於二零零六年十二月三十一日抵押的土地使用權的賬面淨值約為人民幣32,245,000元(二零零五年: 人民幣36,510,000元)(附註5);

(ii) pledge of the Group's property, plant and equipment with a net book amount of approximately RMB17,814,000 as at 31 December 2006 (2005: RMB122,375,000) (Note 6);

(ii) 本集團於二零零六年十二月三十一日抵押的物業、廠房及機器的賬面淨值約為人民幣17,814,000元(二零零五年: 人民幣122,375,000元)(附註6);

(iii) pledge of the Group's inventories with a net book amount of RMB60,207,000 as at 31 December 2006 (2005: RMB14,203,000) (Note 8);

(iii) 本集團於二零零六年十二月三十一日抵押的存貨的賬面淨值約為人民幣60,207,000元(二零零五年: 人民幣14,203,000元)(附註8);

(b) Other bank borrowings were secured by cross corporate guarantees provided by subsidiaries totalling of RMB373,561,000 as at 31 December 2006 (2005: RMB128,405,000).

(b) 其他銀行貸款以附屬公司提供的交叉公司擔保(於二零零六年十二月三十一日的總額為人民幣373,561,000元(二零零五年: 人民幣128,405,000元))作抵押。

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### 17. BORROWINGS (Continued)

Notes: (Continued)

- (c) In addition, Mr. Hong Tianzhu, chairman and an 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 borrowings.

At 31 December 2006, the Group's borrowings were repayable as follows:

### 17. 借貸 (續)

附註: (續)

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

於二零零六年十二月三十一日，本集團貸款的還款期如下：

		Bank borrowings 銀行借貸		Government loans 政府貸款	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Within 1 year	1年之內	308,538	267,305	—	11,500
Between 1 and 2 years	1至2年	6,560	7,544	—	—
Between 2 and 5 years	2至5年	197,898	65,369	—	—
		<b>512,996</b>	<b>340,218</b>	<b>—</b>	<b>11,500</b>

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

借貸的賬面值按以下貨幣計值：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
RMB	人民幣	242,480	278,805
United States dollars	美元	270,516	72,913
		<b>512,996</b>	<b>351,718</b>

Bank borrowings bore interest at rates ranging from 3.0% to 8.0% per annum as at 31 December 2006 (2005: 5.0% to 8.0%).

於二零零六年十二月三十一日，銀行借貸的年利率介乎3.0%至8.0%（二零零五年：5.0%至8.0%）。

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### 17. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

### 17. 借貸(續)

本集團有以下未動用借貸融資：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Floating rate	浮動利率		
– expiring within 3 years	– 於三年內到期	109,322	–
Fixed rate	固定利率		
– expiring within one year	– 於一年內到期	–	27,600

The carrying amounts and fair value of the non-current borrowings are as follows:

非流動借貸之賬面值及公允價值如下：

	Carrying amount 賬面值		Fair value 公允價值	
	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Bank borrowings	204,458	72,913	207,329	77,633

The fair values of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on cash flows discounted using a rate based on the borrowings rate of 6.48% (2005: 6.12%).

由於折現之影響微不足道，流動借貸之公允價值相等於其賬面值。非流動借貸之公允價值乃根據貸款利率6.48%（二零零五年：6.12%），按現金流量折現計算。

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### 18. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follow:

### 18. 遞延所得稅

於有合法可實施的權利以即期稅項資產對銷即期稅項負債及遞延所得稅涉及同一財政管理機構時，遞延稅項資產與負債將予對銷。對銷金額如下：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Deferred tax assets:	遞延稅項資產：		
– Deferred tax assets to be recovered after more than 12 months	– 逾12個月後收回之遞延稅項資產	(758)	(1,208)
– Deferred tax assets to be recovered within 12 months	– 12個月內收回之遞延稅項資產	(3,121)	(2,220)
		(3,879)	(3,428)
Deferred tax liabilities:	遞延稅項負債：		
– Deferred tax liabilities to be recovered after more than 12 months	– 逾12個月後收回之遞延稅項負債	11,216	11,744
		7,337	8,316



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### 18. DEFERRED INCOME TAX (Continued)

The gross movement in deferred income tax account is as follows:

### 18. 遞延所得稅(續)

遞延所得稅賬之總變動如下:

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
At 1 January	於一月一日	8,316	12,012
– Income statement charge (Note 23)	– 於收益表扣除 (附註23)	(451)	(3,428)
– Income statement charge then transferred to equity (Notes 14 and 23)	– 於收益表扣除後轉 撥至權益 (附註14及23)	(528)	(268)
At 31 December	於十二月三十一日	7,337	8,316

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

若不考慮同一稅項司法權區內結餘之抵銷，遞延稅項資產及負債於年內之變動如下:

Deferred income tax assets:

遞延所得稅資產:

		Tax losses 稅務虧損 RMB'000 人民幣千元	Temporary differences in respect of provisions and accruals 有關撥備及應計 項目之暫時差異 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2005	於二零零五年一月一日	–	–	–
Charged to the consolidated income statement (Note 23)	於綜合收益表扣除 (附註23)	1,208	2,220	3,428
At 31 December 2005 and 1 January 2006	於二零零五年十二月 三十一日及 二零零六年一月一日	1,208	2,220	3,428
Charged to the consolidated income statement (Note 23)	於綜合收益表扣除 (附註23)	(450)	901	451
At 31 December 2006	於二零零六年十二月 三十一日	758	3,121	3,879

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### 18. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities:

### 18. 遞延所得稅(續)

遞延所得稅負債：

		Revaluation of buildings 樓宇重估 RMB'000 人民幣千元
At 1 January 2005	於二零零五年十二月三十一日	12,012
Charged to the consolidated income statement (Note 23)	於綜合收益表扣除 (附註23)	(268)
At 31 December 2005 and 1 January 2006	於二零零五年十二月三十一日及 二零零六年一月一日	11,744
Charged to the consolidated income statement (Note 23)	於綜合收益表扣除 (附註23)	(528)
<b>At 31 December 2006</b>	<b>於二零零六年十二月三十一日</b>	<b>11,216</b>

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 RMB89,000 (2005: RMB3,249,000) in respect of losses amounting to RMB372,000 (2005: RMB9,866,000) 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. These tax losses will expire in year 2011 (2005: year 2010).

Deferred income tax of RMB528,000 (2005: RMB268,000) was transferred from other reserves (Note 14) to retained earnings. This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

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372,000元(二零零五年：9,866,000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89,000元(二零零五年：人民幣3,249,000元)。因未來應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。有關稅項虧損將於二零一一年到期(二零零五年：二零一零年)。

人民幣528,000元(二零零五年：人民幣268,000元)的遞延所得稅乃由其他儲備(附註14)轉撥至保留盈利。此代表樓宇的實際折舊與根據樓宇的歷史成本計算的相同折舊之間的差額。

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### 19. REVENUE AND SEGMENT INFORMATION

#### (i) Sales and other gains

The Group is principally engaged in the manufacturing and sale of yarn, grey fabrics and dyed fabrics. Revenue recognised is as follows:

Sales	營業額
Sales of goods (net of value-added tax)	貨品銷售 (扣除增值稅)
Other gains – net	其他收益 – 淨額
– Subsidy income	– 補助收入
– Commission income	– 利息收入
– Net foreign exchange gain/(loss) (Note 24)	– 匯兌收益/(虧損) 淨額 (附註24)
Total other gains-net	其他總收益 – 淨額
Total revenue	收益總額

#### (ii) Segment information

The Group operated in one business segment – manufacturing and sale of yarn, 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.

### 19. 收益及分類資料

#### (i) 營業額及其他收入

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：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
2,667,216	1,915,965
17,365	8,984
1,191	2,704
(2,947)	1,801
15,609	13,489
2,682,825	1,929,454

#### (ii) 分部資料

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，本集團大部份資產及資本開支均設置於中國大陸。因此，並無呈列分部資料分析。

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### 20. EXPENSES BY NATURE

### 20. 開支 (以性質分類)

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Changes in inventories of finished goods and work in progress	製成品及在製品存貨變動	(35,801)	(39,204)
Raw materials and consumables used	所用原材料及消耗品	1,971,964	1,396,293
Employment costs (Note 21)	僱員成本 (附註21)	203,065	137,897
Depreciation and amortisation (Notes 5 and 6)	折舊及攤銷 (附註5及6)	57,670	35,861
Office expense	辦公開支	30,095	17,594
Utilities	動力及燃料	125,543	96,773
Transportation	運輸	41,776	32,921
Auditor's remuneration	核數師酬金	3,516	3,004
Lease rental expense of buildings and machinery (Note 6)	樓宇及機器租金開支 (附註6)	3,960	3,227
Other expenses	其他開支	38,231	33,268
Total cost of sales, selling and distribution costs and general and administrative expenses	銷售成本、銷售及分銷開支以及一般及行政開支	2,440,019	1,717,634

### 21. EMPLOYMENT COSTS

### 21. 員工成本

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Wages, salaries and bonuses	工資、薪酬及花紅	172,447	117,015
Share options granted to directors and employees (Note 13)	授予董事及僱員的購股權計劃 (附註13)	—	433
Pension costs – defined contribution plans (Note (a))	退休成本—界定供款計劃 (附註(a))	20,401	14,078
Other employment benefits	其他僱員福利	10,217	6,371
		203,065	137,897

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### 21. EMPLOYMENT COSTS (Continued)

Notes:

#### (a) Pension – 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 2006, the Group contributed approximately RMB13,807,000 (2005: RMB7,653,000) to the aforesaid state-sponsored retirement plans. As at 31 December 2006, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2005: 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 2006, the Group contributed approximately RMB6,518,000 (2005: RMB6,401,000) 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 2006, the Group contributed approximately RMB76,000 (2005: RMB24,000) to the MPF Scheme.

### 21. 員工成本 (續)

附註:

#### (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。截至二零零六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13,807,000元（二零零五年：人民幣7,653,000元）。於二零零六年十二月三十一日，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供款（二零零五年：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。截至二零零六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6,518,000元（二零零五年：人民幣6,401,000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。截至二零零六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76,000元（二零零五年：人民幣24,000元）。

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### 21. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

#### (b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2006 is set out below:

Name of Director	董事姓名	Fees 袍金 RMB'000 人民幣千元	Salaries 薪金 RMB'000 人民幣千元	Bonuses 花紅 RMB'000 人民幣千元	Other benefits (i) 其他福利(i) 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
<b>Executive directors</b>	<b>執行董事</b>						
Hong Tianzhu	洪天祝	—	666	—	307	18	991
Zhu Yongxiang	朱永祥	—	720	480	12	18	1,230
Gong Zhao	龔照	—	382	340	12	18	752
Tang Daoping	湯道平	—	360	600	12	18	990
<b>Independent non-executive directors</b>	<b>獨立非執行董事</b>						
Ting Leung Huel, Stephen	丁良輝	172	—	—	—	—	172
Cheng Longdi	程隆楝	74	—	—	—	—	74
Zhu Lanfen	朱蘭芬	74	—	—	—	—	74
		320	2,128	1,420	343	72	4,283

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

截至二零零五年十二月三十一日應付予每位董事的酬金如下：

Name of Director	董事姓名	Fees 袍金 RMB'000 人民幣千元	Salaries 薪金 RMB'000 人民幣千元	Bonuses 花紅 RMB'000 人民幣千元	Other benefits (i) 其他福利(i) 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
<b>Executive directors</b>	<b>執行董事</b>						
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
<b>Independent non-executive directors</b>	<b>獨立非執行董事</b>						
Ting Leung Huel, Stephen	丁良輝	153	—	—	—	—	153
Cheng Longdi	程隆楝	51	—	—	—	—	51
Zhu Lanfen	朱蘭芬	51	—	—	—	—	51
		255	2,545	1,598	44	68	4,510

(i) Other benefits represent housing allowance and other social security benefits. Those social security benefits mainly include medical and unemployment insurances and are organised and administered by governmental authorities in Mainland China. Contributions to the plans are expensed as incurred.

(i) 其他福利代表房屋津貼及其他社會保障福利。此等社會保障福利主要包括醫療及下崗保障，乃由中國大陸之政府機構組織及管理。對此等計劃之供款乃於產生時支銷。



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### 21. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

#### (b) Directors' emoluments (Continued)

None of the directors waived any emoluments during the year ended 31 December 2006 (2005: Nil).

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individual are as follows:

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

### 21. 員工成本 (續)

附註: (續)

#### (b) 董事酬金 (續)

於截至二零零六年十二月三十一日止年度並無董事放棄收取任何酬金 (二零零五年: 無)。

#### (c) 五位最高薪酬人士

於本年度，本集團五位薪酬最高人士其中四位 (二零零五年: 四位) 為董事，其酬金已於上文呈列的分析內反映。應付予餘下一位 (二零零五年: 一位) 人士之酬金如下

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
100	132
939	983
12	17
1,051	1,132

### 22. FINANCE COSTS – NET

### 22. 財務開支 – 淨額

#### Interest expense:

Bank borrowings wholly repayable within five years  
Less: amount capitalised in property, plant and equipment (Note 6)

#### 利息開支:

須於五年內悉數償還的銀行貸款利息  
減: 物業、廠房及設備資本化金額  
(附註6)

#### Exchange gain (Note 24)

#### 匯兌收益 (附註24)

#### Finance costs

#### 財務支出

Finance income – Interest income on short-term bank deposits

財務收入 – 短期銀行存款利息收入

#### Net finance costs

#### 財務費用淨額

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
40,235	21,964
(1,784)	(2,050)
38,451	19,914
(6,008)	(1,726)
32,443	18,188
(4,431)	(3,443)
28,012	14,745

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### 23. INCOME TAX EXPENSE

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

Current income tax	當期所得稅
– Mainland China enterprise income tax	– 中國大陸企業所得稅
Deferred income tax (Note 18)	遞延所得稅 (附註18)

### 23. 所得稅開支

於綜合收益表扣除的稅項金額如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
25,237	20,561
(979)	(3,696)
<b>24,258</b>	<b>16,865</b>

#### (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 (2005: Nil).

#### (i) 香港利得稅

由於本集團於年內並無在香港產生任何應課稅溢利，故並無就香港利得稅作出撥備（二零零五年：零）。

#### (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.

#### (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。

Except for Texhong (China) Investment Co., Ltd. and Changzhou Texhong Textile Co., Ltd., all other subsidiaries of the Company established in Mainland China, being wholly foreign owned enterprises, 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.

除天虹（中國）投資有限公司及常州天虹紡織有限公司外，本公司所有其他於中國大陸成立的附屬公司均為外商獨資企業，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，免繳企業所得稅兩年，其後三年則獲稅率減半優惠。

Texhong (China) Investment Co., Ltd., being an investment holding company incorporated in Mainland China, it is subject to Mainland China enterprise income tax rate of 15%.

天虹（中國）投資有限公司為於中國註冊成立之投資控股公司，須按稅率15%繳納中國大陸企業所得稅。

Changzhou Texhong Textile Co., Ltd. (formerly known as Yizheng Chemical Fiber Changzhou Daming Company) was acquired by the Group in 2006. The applicable enterprise income tax rate for this subsidiary for 2006 is 33%.

本集團於二零零六年收購常州天虹紡織有限公司（前稱儀征化纖常州大明公司），該附屬公司於二零零六年之適用企業所得稅稅率為33%。

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### 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 then International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax. The Company's subsidiaries established in Macao and Vietnam are loss-making in 2006, therefore they were not subject to Macao and Vietnam income tax in 2006.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities 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當時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。本公司於澳門及越南成立的附屬公司於二零零六年錄得虧損，因此於二零零六年毋須繳納澳門及越南所得稅。

本集團除稅前溢利的稅款與根據適用於綜合實體溢利的加權平均稅率計算的理論上數額不同，差異如下：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	214,794	197,075
Tax calculated at domestic tax rates applicable to profits in the respective countries	按適用於有關國家溢利的國內稅率計算的稅項	67,933	63,847
Effect of tax exemption/reduction	稅項寬免／寬減的影響	(42,326)	(50,075)
Expenses not deductible for tax purposes	未就稅項扣減的開支	5,378	1,650
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	89	3,249
Utilisation of previously unrecognised tax losses	抵銷之前未確認稅項虧損	—	(598)
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)
Income tax credit granted for qualified purchases of domestic equipment	就購買符合規格內地設備的所得稅抵免	(6,816)	—
		24,258	16,865

The weighted average applicable tax rate was 32% (2005: 32%).

加權平均應用稅率為32% (二零零五年: 32%)。

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### 24. NET FOREIGN EXCHANGE LOSSES

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

Other gains (Note 19)	其他收益 (附註19)
Finance costs (Note 22)	財務費用 (附註22)

### 24. 外匯虧損淨額

於綜合收益表確認之兌換差額包括在以下項目：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
(2,947)	1,801
6,008	1,726
<b>3,061</b>	<b>3,527</b>

### 25. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB72,276,000 (2005: RMB64,939,000).

### 25. 本公司股權持有人應佔溢利

本公司股權持有人應佔溢利已計及本公司財務報表內約人民幣72,276,000元的虧損。(二零零五年：人民幣64,939,000元)。

### 26. EARNINGS PER SHARE

#### (a) 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.

### 26. 每股盈利

#### (a) 基本

每股基本盈利以本公司股權持有人應佔溢利除以年內已發行普通股的加權平均數計算。

Profit attributable to equity holders of the Company (RMB'000)	本公司股權持有人應佔溢利 (人民幣千元)
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數 (以千計)
Basic earnings per share (RMB per share)	每股基本盈利 (每股人民幣)

2006 二零零六年	2005 二零零五年
<b>190,536</b>	180,210
<b>872,000</b>	872,000
<b>0.22</b>	0.21

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### 26. EARNINGS PER SHARE (Continued)

#### (b) Diluted

Diluted earnings 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 in full.

### 26. 每股盈利 (續)

#### (b) 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，並假設所有購股權獲得轉換。就購股權而言，將按未行使購股權所附認購權的貨幣價值為基準計算以釐定可按公允價值（以本公司平均年度市場股價計算）收購的股份數目。並將上述計算所得的股份數目與已發行的股份數目（假設購股權已獲全面行使）作出比較。

		2006 二零零六年	2005 二零零五年
Profit attributable to equity holders of the Company (RMB'000)	本公司股權持有人應佔溢利 (人民幣千元)	190,536	180,210
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數 (以千計)	872,000	872,000
Adjustments for share options (thousands)	就購股權作出的調整 (以千計)	2,470	1,737
Weighted average number of ordinary shares for diluted earnings per share (thousands)	用作計算每股攤薄盈利的普通股加權平均數 (以千計)	874,470	873,737
Diluted earnings per share (RMB per share)	每股攤薄盈利 (每股人民幣)	0.22	0.21

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### 27. DIVIDENDS

A final dividend in respect of the year ended 31 December 2006 of HKD0.04 per share, amounting to HKD34,880,000 (equivalent to RMB35,044,000), is to be proposed for Shareholders' approval at the upcoming Annual General Meeting. The dividend payable has not been reflected in the consolidated financial statements.

### 27. 股息

建議於即將舉行之股東週年大會上尋求股東批准於截至二零零六年十二月三十一日止年度派發末期股息每股0.04港元，合共34,880,000港元（相等於人民幣35,044,000元）。綜合財務報表並未反映此項應付股息。

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Interim dividend paid of HKD0.03 (2005: Nil) per ordinary share	已付中期股息每股 普通股0.03港元 (二零零五年: 零)	25,905	—
Proposed final dividend of HKD0.04 (2005: HKD0.065) per ordinary share	擬派末期股息每股 普通股0.04港元 (二零零五年: 0.065港元)	35,044	59,296
		<b>60,949</b>	<b>59,296</b>

### 28. CASH GENERATED FROM OPERATIONS

### 28. 營運所得現金

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	214,794	197,075
Adjustments for:	經調整以下各項:		
– Amortisation (Note 5)	– 攤銷 (附註5)	895	912
– Depreciation (Note 6)	– 折舊 (附註6)	56,775	34,949
– Loss/(profit) on disposal of property, plant and equipment (see below)	– 銷售物業、廠房及 設備所得溢利 (見下文)	849	(646)
– Share-based payment (Note 13)	– 僱員購股權計劃 (附註13)	—	433
– Finance costs – net (Note 22)	– 財務費用 – 淨額 (附註22)	28,012	14,745
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):	營運資金變動 (收購及綜合賬目 之匯兌差額的影響 除外):		
– Inventories	– 存貨	(151,433)	(102,277)
– Trade and bills receivables	– 應收貿易及票據款項	(61,120)	(30,182)
– Prepayments, deposits and other receivables	– 預付款項、訂金及 其他應收款項	(45,731)	(19,271)
– Trade and bills payables	– 應付貿易款項	91,714	101,734
– Accruals and other payables	– 應計及其他應付款項	(34,869)	13,790
Cash generated from operations	營運活動產生現金	<b>99,886</b>	<b>211,262</b>



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### 28. CASH GENERATED FROM OPERATIONS

(Continued)

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

### 28. 營運所得現金 (續)

於現金流量表，銷售物業、廠房及設備的所得款項包括：

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Net book amount (Note 6)	賬面淨值 (附註6)	2,720	1,914
(Loss)/profit on disposal of property, plant and equipment	銷售物業、廠房及設備所得 (虧損)/溢利	(849)	646
Proceeds from disposal of property, plant and equipment	銷售物業、廠房及設備的所得款項	1,871	2,560

### 29. CONTINGENCIES

The Group had contingent liabilities not provided for as follows:

### 29. 或然事項

本集團未作撥備的或然負債如下：

		Group 本集團		Company 本公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Government grants obtained from the Management Committee of Taizhou Economic Development Zone (Note (i))	來自泰州經濟開發區管理委員會的政府補助 (附註(i))	21,889	21,889	—	—

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 6). 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：

- (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6)。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。

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### 29. CONTINGENCIES (Continued)

The Directors of the Company and the management of the Group anticipate that no material liabilities will arise from the above contingencies.

### 30. COMMITMENTS

#### (i) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

Property, plant and equipment	物業、廠房及設備
Contracted but not provided for	已訂約但未撥備
Authorised but not contracted for	已授權但未訂約

### 29. 或然事項 (續)

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。

### 30. 承擔

#### (i) 資本承擔：

於結算日的資本開支(但未產生)為如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
75,513	61,265
207,178	—
<b>282,691</b>	<b>61,265</b>

#### (ii) Operating lease commitments

The Group leases various land, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than 1 year	一年內
Later than 1 year and no later than 5 years	一年後至五年內
Later than 5 years	五年後

#### (ii) 經營租賃承擔

本集團根據不可撤銷經營租賃協議而租賃不同的土地、辦公室及倉庫。該等租賃之租期、調整租金之條款及續約權利各有不同。

根據不可撤銷經營租賃之未來最低租賃款項總額如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
2,552	4,632
9,089	1,510
79,024	—
<b>90,665</b>	<b>6,142</b>

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### 31. BUSINESS COMBINATION

#### (a) Acquisition of a subsidiary

On 30 September 2006, the Group acquired the entire interest in Yizheng Chemical Fiber Changzhou Daming Company ("Daming"), a company engaged in the manufacturing and sales of yarns and other textile products for a cash consideration of RMB1. The acquired business contributed revenue of RMB38,986,000 and net loss of RMB5,347,000 to the Group for the period from 1 October 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, Group revenue would have been RMB2,771,946,000; profit before allocations would have been RMB152,324,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2006, together with the consequential tax effects. After completion of the acquisition, Daming was renamed as Changzhou Texhong Textile Co., Ltd..

Details of net assets acquired and goodwill are as follows:

Purchase consideration:  
– Cash paid  
Fair value of net assets acquired  
– shown as below

Goodwill

### 31. 業務合併

#### (a) 收購一間附屬公司

二零零六年九月三十日，本公司以人民幣1元之現金代價收購儀征化纖常州大明公司（「大明」）之全部權益。大明從事製造及銷售紗線及其他紡織品。於二零零六年十月一日至二零零六年十二月三十一日止期間，所收購業務為本集團帶來營業額人民幣38,986,000元及淨虧損人民幣5,347,000元。倘若收購事項於二零零六年一月一日已經發生，本集團之營業額將為人民幣2,771,946,000元而分配前溢利將為人民幣152,324,000元。此等款額已使用本集團之會計政策計算並就該附屬公司之業績作出調整，已反映假設由二零零六年一月一日起已對物業、廠房及設備作出公允價值調整時須扣除之額外折舊及攤銷費用以及相關的稅項影響。於完成收購事項後，大明易名為常州天虹紡織有限公司。

所收購之資產淨值以及相關的詳情如下：

RMB'000  
人民幣千元

收購代價：	
– 已付現金	–
所收購資產之公允價值	
– 載於下文	(888)
商譽	888

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### 31. BUSINESS COMBINATION (Continued)

#### (a) Acquisition of a subsidiary (Continued)

The assets and liabilities as of 30 September 2006 arising from the acquisition are as follows:

		Fair value	Acquiree's carrying amount
		公允價值	被收購公司之賬面值
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash and cash equivalents	現金及現金等值物	3,560	3,560
Property, plant and equipment (Note 6)	物業、廠房及設備 (附註6)	78,364	67,823
Inventories	存貨	32,627	32,627
Trade and bills receivables	應收貿易及票據款項	4,142	4,142
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	6,123	6,123
Trade and bills payables	應付貿易及票據款項	(11,566)	(11,566)
Accruals and other payables	預提費用及其他應付賬款	(15,560)	(15,560)
Payable to Yihua Group Company (i)	應付予儀化集團公司(i)	(98,578)	(139,297)
Net assets acquired	所收購之資產淨值	(888)	(52,148)
Purchase consideration settled in cash	以現金支付之收購代價	—	—
Cash and cash equivalents in subsidiary acquired	所收購附屬公司之現金及現金等值物	—	3,560
Cash inflow on acquisition	收購之現金流入	—	3,560

(i) In accordance with the purchase agreement, the Group assumed an amount of RMB139,297,000 payables to Yihua Group Company ("Yihua"), the former principal shareholder of Daming. Among the total amount assumed, RMB40,719,000 would be waived by Yihua after one year of the acquisition. Accordingly, the fair value of such payable acquired was RMB98,578,000.

After the acquisition of Daming, the Group repaid RMB31,000,000 to Yihua during the year ended 31 December 2006, and accordingly the remaining balance payable to Yihua as at 31 December 2006 was RMB67,578,000 (Note 16).

There was no acquisition during the year ended 31 December 2005.

### 31. 業務合併 (續)

#### (a) 收購一間附屬公司 (續)

從收購產生的資產及負債於二零零六年九月三十日之情況如下：

	Fair value	Acquiree's carrying amount
	公允價值	被收購公司之賬面值
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Cash and cash equivalents	3,560	3,560
Property, plant and equipment (Note 6)	78,364	67,823
Inventories	32,627	32,627
Trade and bills receivables	4,142	4,142
Prepayments, deposits and other receivables	6,123	6,123
Trade and bills payables	(11,566)	(11,566)
Accruals and other payables	(15,560)	(15,560)
Payable to Yihua Group Company (i)	(98,578)	(139,297)
Net assets acquired	(888)	(52,148)
Purchase consideration settled in cash	—	—
Cash and cash equivalents in subsidiary acquired	—	3,560
Cash inflow on acquisition	—	3,560

(i) 根據收購協議，本集團承擔應向儀化集團公司（「儀化」，大明之前主要股東）支付的人民幣139,297,000元款項。在所承擔的總額之中，儀化將於收購起計一年內豁免人民幣40,719,000元，因此，所購入的有關應付款項的公允價值為人民幣98,578,000元。

收購大明後，本集團於截至二零零六年十二月三十一日止年度向儀化償還人民幣31,000,000元，因此，於二零零六年十二月三十一日應向儀化支付之結餘為人民幣67,578,000元（附註16）。

截至二零零五年十二月三十一日止年度內並無收購事項。

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### 31. BUSINESS COMBINATION (Continued)

#### (b) Impairment assessment of goodwill

Goodwill is attributable to Daming, which is considered to be a single cash-generating unit ("CGU"). The recoverable amount of goodwill is determined based on the value-in-use calculations, using a cash flow projections based on a three-year financial budgets approved by management. Management determined financial budgets based on past performance and its expectations for the market development. The pre-tax discount rate used in the value-in-use calculation is approximately 8%, which reflect specific risks relating to Daming.

### 32. RELATED PARTY TRANSACTIONS

New Green Group Limited (incorporated in the British Virgin Islands) owns 44.5% of the Company's shares. Mr. Hong Tianzhu is the principal shareholder of New Green Group Limited, and has a beneficial shareholding of 54.5% in the Company through his own capacity, New Green Group Limited and another company. Mr. Zhu Yongxiang has a beneficial shareholding of 17.5% in the Company. The remaining shares are widely held.

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

Nantong Shuanghong Textile Co., Ltd.  
南通雙虹紡織品有限公司

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

### 31. 業務合併(續)

#### (b) 商譽之減值評估

大明被視為一個創現單位(「創現單位」)並應佔商譽。商譽之可收回金額乃根據使用價值計算法釐定，其中根據管理層批准之三年財務預算進行現金流預測。管理層按以往表現及對市場發展之期望釐定財務預算。使用價值計算法之稅前貼現率約為8%，此反映與大明有關的特定風險。

### 32. 與關聯方的交易

New Green Group Limited (於英屬處女群島註冊成立)擁有本公司股份的44.5%。洪天祝先生為New Green Group Limited的主要股東，彼透過其本身身份、New Green Group Limited及另一間公司實益擁有本公司的54.5%股權。朱永祥實益擁有本公司的17.5%股權。餘下的股份廣泛分佈於不同人士。

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 Hong Tianzhu, a director  
由董事洪天祝控制

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, a director  
香港天虹實業有限公司(董事洪天祝控制的公司)的聯營公司

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### 32. RELATED PARTY TRANSACTIONS (Continued)

The Group had the following significant transactions with its related parties, as follows—

#### (a) Sales of goods

Sales of goods:	銷售貨品：
– 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

### 32. 與關聯方的交易(續)

本集團與其關聯方進行下列重大交易如下—

#### (a) 銷售貨品

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
499	10,242
140	71
<b>639</b>	<b>10,313</b>

#### (b) Purchases of goods

Purchases of goods	購買貨品：
– 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

#### (b) 採購貨品

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
2,973	9,531
1,564	1,127
<b>4,537</b>	<b>10,658</b>

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。



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### 32. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balance with related parties

The Group had the following significant balances with related parties

Trade receivables from related parties (Note 9)	應收關聯方的貿易款項 (附註9)
– 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

Deposits from related parties (Note 16)	來自關聯方的訂金 (附註16)
– 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

The balances with related parties are unsecured, non-interest bearing and are repayable within one year.

#### (d) Key management compensation

Salaries, wages and bonuses	薪金、工資及花紅
Pension cost (defined contribution plan)	退休金成本(界定供款計劃)
Other employment benefits	其他僱員福利
Share-based payments	僱員購股權計劃

### 32. 與關聯方的交易 (續)

#### (c) 關聯方的重大結餘：

本集團與關聯方的重大結餘如下：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
4,327	5,304
141	–
<b>4,468</b>	<b>5,304</b>
–	220
549	27
<b>549</b>	<b>247</b>

與關聯方的結餘為無抵押、免息及須於一年內償還。

#### (d) 主要管理層薪酬

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
4,898	5,361
295	113
131	73
–	433
<b>5,324</b>	<b>5,980</b>

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### 33. PARTICULARS OF SUBSIDIARIES

The following is a list of the significant subsidiaries at 31 December 2006:

### 33. 附屬公司資料

以下表列於二零零六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 and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
<b>Directly held— 直接持有—</b>				
Texhong Textile Holdings Limited	British Virgin Islands 26 May 2004 limited liability company	Investment holding in British Virgin Islands	100 ordinary shares of USD1 each	100%
天虹紡織控股有限公司	英屬處女群島 二零零四年五月二十六日 有限責任公司	於英屬處女群島 投資控股	100股 每股1美元 普通股	100%
Texhong Textile Investment Limited	British Virgin Islands 9 December 2004 limited liability company	Investment holding in British Virgin Islands	1 ordinary share of USD1	100%
天虹紡織投資有限公司	英屬處女群島 二零零四年十二月九日 有限責任公司	於英屬處女群島 投資控股	1股 每股1美元 普通股	100%
Sunray International Holdings Limited (formerly known as New Apex International Limited)	British Virgin Islands 21 January 2005 limited liability company	Investment holding in British Virgin Islands	1 ordinary share of USD1	100%
新銳國際控股有限公司 (前稱新銳國際有限公司)	英屬處女群島 二零零五年一月二十一日 有限責任公司	於英屬處女群島 投資控股	1股 每股1美元 普通股	100%
Texhong Vietnam Investment Limited	British Virgin Islands 6 September 2006 limited liability company	Investment holding in British Virgin Islands	USD50,000	100%
天虹越南投資有限公司	英屬處女群島 二零零六年九月六日 有限責任公司	於英屬處女群島 投資控股	50,000美元	100%

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### 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 and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
<b>Indirectly held— 間接持有—</b>				
Texhong Textile (Taizhou) Co., Ltd.	Tai Zhou, Mainland China 20 October 1997 limited liability company	Manufacturing and sales of yarns and grey fabrics in Mainland China	USD193,750	100%
天虹紡織(泰州)有限公司	中國泰州 一九九七年十月二十日 有限責任公司	於中國大陸製造及銷售 紗線及坯布	193,750美元	100%
Texhong Textile (Jinhua) Co., Ltd.	Jinhua, Mainland China 4 January 1998 limited liability company	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress in Mainland China	USD350,000	100%
天虹紡織(金華)有限公司	中國金華 一九九八年一月四日 有限責任公司	於中國大陸製造及銷售 紗線、坯布、染布及服裝	350,000美元	100%
Texhong Textile (Suining) Co., Ltd.	Xuzhou, Mainland China 26 June 1998 limited liability company	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress in Mainland China	USD187,500	100%
天虹紡織(睢寧)有限公司	中國徐州 一九九八年六月二十六日 有限責任公司	於中國大陸製造及銷售 紗線、坯布、染布及服裝	187,500美元	100%
Taizhou Texhong Weaving Co., Ltd.	Taizhou, Mainland China 15 January 2000 limited liability company	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning in Mainland China	USD2,625,000	100%
泰州天虹織造有限公司	中國泰州 二零零零年一月十五日 有限責任公司	於中國大陸製造及銷售工業 用紡織品及高級混紗線	2,625,000美元	100%
Zhejiang Texhong Textile Co., Ltd.	Jinhua, Mainland China 18 May 2000 limited liability company	Manufacturing and sales of industrial-use textile products, top-grade grey fabrics and blended-spinning in Mainland China	USD3,350,000	100%
浙江天虹紡織有限公司	中國金華 二零零零年五月十八日 有限責任公司	於中國大陸製造及銷售工業 用紡織品、高級坯布及 混紗線	3,350,000美元	100%

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### 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 and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
Jiangsu Century Texhong Textile Co., Ltd.	Xuzhou, Mainland China 6 June 2000 limited liability company	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress; processing of cotton in Mainland China	USD10,200,000	100%
江蘇世紀天虹紡織有限公司	中國徐州 二零零零年六月六日 有限責任公司	於中國大陸製造及銷售 紗線·坯布·染布及服裝； 加工棉花	10,200,000美元	100%
Taizhou Century Texhong Textile Co., Ltd.	Taizhou, Mainland China 23 April 2002 limited liability company	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning in Mainland China	USD13,000,000	100%
泰州世紀天虹紡織有限公司	中國泰州 二零零二年四月二十三日 有限責任公司	於中國大陸製造及銷售 工業用紡織品及高級 混紗線	13,000,000美元	100%
Zhejiang Century Texhong Textile Co., Ltd.	Jinhua, Mainland China 10 May 2002 limited liability company	Manufacturing and sales of top-grade spinning and fire-resistant fabrics (excluding dyed fabrics) in Mainland China	USD2,650,000	100%
浙江世紀天虹紡織有限公司	中國金華 二零零二年五月十日 有限責任公司	於中國大陸製造及銷售 高級精紗線及防火纖維 高(染色纖維除外)	2,650,000美元	100%
Nantong Century Texhong Textile Co., Ltd.	Nantong, Mainland China 7 June 2002 limited liability company	Manufacturing and sales of yarns, grey fabrics and dyed fabrics in Mainland China	USD3,850,000	100%
南通世紀天虹紡織有限公司	中國南通 二零零二年六月七日 有限責任公司	於中國大陸製造及銷售 紗線·坯布及染布	3,850,000美元	100%
Xuzhou Century Texhong Textile Co., Ltd.	Xuzhou, Mainland China 13 January 2003 limited liability company	Manufacturing and sales of top-grade yarns and cloth spinning in Mainland China	USD625,000	100%
徐州世紀天虹紡織有限公司	中國徐州 二零零三年一月十三日 有限責任公司	於中國大陸製造及銷售 高級紗線及布料精紗線	625,000美元	100%

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### 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 and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
Xuzhou Texhong Yinfeng Textile Co., Ltd.	Xuzhou, Mainland China 12 May 2004 limited liability company	Manufacturing and sales of yarns, grey fabrics, cloth and dyed fabrics in Mainland China	USD4,200,000	100%
徐州天虹銀豐紡織有限公司	中國徐州 二零零四年五月十二日 有限責任公司	於中國大陸製造及銷售 紗線、坯布、布料及染布	4,200,000美元	100%
Nantong Texhong Yin Hai Industrial Co., Ltd.	Nantong, Mainland China 20 May 2004 limited liability company	Manufacturing and sales of garment, textile knitting products and yarns in Mainland China	USD500,000	100%
南通天虹銀海實業有限公司	中國南通 二零零四年五月二十日 有限責任公司	於中國大陸製造及銷售 成衣、紡織與織造產品 及紗線	500,000美元	100%
Xuzhou Texhong Times Textile Co., Ltd.	Xuzhou, Mainland China 29 December 2004 limited liability company	Manufacturing and sales of top-grade yarns, thread, grey fabrics, textile knitting products, and garments in Mainland China	USD15,000,000	100%
徐州天虹時代紡織有限公司	中國徐州 二零零四年十二月二十九日 有限責任公司	於中國大陸製造及銷售 高級紗線、線、紡織與織造 產品及成衣	15,000,000美元	100%
Texhong (China) Investment Co., Ltd.	Shanghai, Mainland China 21 June 2005 limited liability company	Investment holding in Mainland China	USD30,000,000	100%
天虹(中國)投資有限公司	中國上海 二零零五年六月二十一日	投資控股	30,000,000美元	100%
Xuzhou Texhong Yinlian Textile Co., Ltd.	Xuzhou, Mainland China 30 March 2006 limited liability company	Manufacturing top-grade yarns, thread, grey fabrics, dresses, in Mainland China	USD12,500,000	100%
徐州天虹銀聯紡織有限公司	中國徐州 二零零六年三月三十日 有限責任公司	於中國大陸製造高級 紗線、線、坯布及服裝	12,500,000美元	100%

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### 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 and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
Taizhou Texhong Yintai Textile Co., Ltd.	Taizhou, Mainland China 26 May 2006 limited liability company	Manufacturing top-grade garment and special textile for construction in Mainland China	USD6,500,000	100%
秦州天虹銀泰紡織有限公司	中國泰州 二零零六年五月二十六日 有限責任公司	於中國大陸製造高級成衣 及特別紡織品以用於建築	6,500,000美元	100%
Sunray Macao Commercial Offshore Limited	Macao 19 December 2005 limited liability company	Trading in Macao	MOP\$100,000	100%
新睿澳門離岸商業服務 有限公司	中國澳門 二零零五年十二月十九日 有限責任公司	於澳門貿易	100,000澳門幣	100%
Texhong Textile (Hong Kong) Limited	Hong Kong 11 May 2006 limited liability company	Trading in Hong Kong	10,000 ordinary share of HKD1	100%
天虹紡織(香港)有限公司	中國香港 二零零六年五月十一日 有限責任公司	於香港貿易	10,000股 每股1港元 普通股	100%
Changzhou Texhong Textile Co., Ltd.	Changzhou, Mainland China 1 January 1979 limited liability company	Manufacturing and sales of textile, decoration and garment in Mainland China	RMB64,290,000	100%
常州天虹紡織有限公司	中國常州 一九七九年一月一日 有限責任公司	於中國大陸製造及銷售 紡織品、飾品及成衣	人民幣 64,290,000元	100%
Sunray Trading (Hong Kong) Limited (formerly known as New Apex International Trading Limited)	British Virgin Islands 16 February 2005 limited liability company	Trading, investment and corporate services in Hong Kong	10,000 ordinary shares of HKD1	100%
新銳貿易(香港)有限公司 (前稱新銳國際貿易有限公司)	英屬處女群島 二零零五年二月十六日 有限責任公司	於香港進行貿易、投資及 提供企業服務	10,000股 每股1港元普通股	100%
Texhong (Vietnam) Textile Limited	Vietnam 24 October 2006 limited liability company	Manufacturing of yarn in Vietnam	USD16,000,000	100%
天虹(越南)紡織有限公司	越南 二零零六年十月二十四日 有限責任公司	於越南製造紗線	16,000,000美元	100%