

REPORT OF THE SUPERVISORY COMMITTEE

TO ALL SHAREHOLDERS,

During the reporting period, all the members of the Supervisory Committee have duly carried out their supervisory duties in a stringent manner and adhered to the principle of fairness and honesty to effectively protect the interests of the Company and its shareholders in accordance with the relevant provisions of the Company Law of the PRC and the Company's Articles of Association. I hereby, on behalf of the Supervisory Committee of the Company, present its working report of 2006 as follows:

1. Review of the performance of the Supervisory Committee

During the reporting period, the Supervisory Committee convened a total of four meetings. The specific time, place, attendance records and agenda of the meetings are set out as follows:

- (1) On 4 April 2006, the 11th meeting of the 2nd Supervisory Committee was convened at the Company's meeting room on the 4th floor. All the three members of the Supervisory Committee attended the meeting. At the meeting, "the Working Report of the Supervisory Committee for 2005", "the Audited Financial Report for the Year Ended 31 December 2005", "the Profit Distribution Proposal for 2005" and "the Financial Report on the Final Account for 2005" were reviewed and approved;
- (2) On 19 July 2006, the 1st meeting of the 3rd Supervisory Committee was convened at the Company's meeting room on the 4th floor. All the three members of the Supervisory Committee attended the meeting. At the meeting, Mr. Lu Tianfu was elected the chairman of the 3rd Supervisory Committee;

- (3) On 8 September 2006, the 2nd meeting of the 3rd Supervisory Committee was convened at the Company's meeting room on the 4th floor. All the three members of the Supervisory Committee attended the meeting. At the meeting, the Interim Results Announcement of the Company and the publication of the above announcement on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) were reviewed and approved.
- (4) On 18 December 2006, the 3rd meeting of the 3rd Supervisory Committee was convened at the Company's meeting room on the 4th floor. All the three members of the Supervisory Committee attended the meeting. At the meeting, the relevant issues regarding the continuing connected transaction in respect of the supply of cotton yarn and grey fabrics by the Company and its subsidiaries to Shandong Weiqiao Chuangye Group Company Limited and its subsidiaries were reviewed and approved.

2. Independent Opinions of the Supervisory Committee on Relevant Issues of the Company for 2006

- (1) The Supervisory Committee had performed stringent supervision on the convening procedures and resolutions of the AGM and meetings of the Board of Directors, execution of the AGM resolutions by the Board of Directors, performance of the senior management as well as the implementation of the Company's administrative rules and regulations by the senior management in accordance with the relevant provisions of the Listing Rules of The Stock Exchange of Hong Kong Limited and the relevant laws and regulations of the PRC.

Report of the Supervisory Committee

The Supervisory Committee considered that the Company had complied with the principles of well-regulated operations in a prudent and honest manner, and had further regularized and upgraded the Company's internal management system. The Company had been operating in strict compliance with the Company Law and the relevant laws and regulations of the PRC, the relevant requirements of the domestic and overseas securities regulatory authorities and the Articles of Association of the Company, ensuring the healthy operations of the Company's business and production. The Directors and senior management of the Company honestly and diligently discharged their duties for the greatest benefits of the Company, and no violation of the laws, regulations and Articles of Association and no activities that harmed the interests of the Company had been discovered during the reporting period.

- (2) The Supervisory Committee had thoroughly reviewed the Audited Financial Report for 2005, the Finance Report on the Final Account for 2005, the Profit Distribution Proposal 2005, the Annual Results Announcement for 2005 and the Interim Results Announcement for 2006.

The Supervisory Committee considered that: the financial statements of the Company have been prepared in accordance with accounting principles of the PRC and the HKAS, its accounting method has adopted the principle of consistency, and it fairly reflected the financial situation and operation results of the Company.

- (3) The connected transactions carried out by the Company adhered to the principles of regulatory compliance, fairness and transparency. None of them were unfavorable for the Company.

In the year to come, the Supervisory Committee will continue to further increase its efforts in the supervision and inspection of the financial conditions of the Company in strict compliance of the Company Law, the Articles of Association and the relevant requirements of The Stock Exchange of Hong Kong Limited, and to fully discharge its supervisory duties based on arduous spirits and principles of fidelity, and strive to promote the profit growth of the Company in the year of 2007 and to protect the shareholders' interests.

By order of the Supervisory Committee
Chairman of the Supervisory Committee
Lu Tianfu

Shangdong, the PRC
30 March, 2007