



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 2007
二零零七年年報

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FINANCIAL HIGHLIGHTS

財務摘要

OPERATING FIGURES

經營數據

		2007	2006		2005	2004	2003
For the year ended 31 December		RMB 000	RMB 000	Change	RMB 000	RMB 000	RMB 000
截至12月31日止年度		人民幣千元	人民幣千元	轉變	人民幣千元	人民幣千元	人民幣千元
Turnover	營業額	3,254,109	2,667,216	+22.0%	1,915,965	1,415,852	1,034,340
Gross profit	毛利	434,751	402,863	+7.9%	342,697	229,373	155,896
Profit for the year	年度溢利	237,777	190,536	+24.8%	180,210	137,048	84,838
Earnings per share	每股盈利						
Basic	—基本	RMB人民幣0.27元	RMB人民幣0.22元	+22.7%	RMB人民幣0.21元	RMB人民幣0.19元	RMB人民幣0.12元
Diluted	—攤薄	RMB人民幣0.27元	RMB人民幣0.22元	+22.7%	RMB人民幣0.21元	RMB人民幣0.19元	RMB人民幣0.12元

CONSOLIDATED BALANCE SHEET

綜合資產負債表

		2007	2006		2005	2004	2003
As at 31 December		RMB 000	RMB 000	Change	RMB 000	RMB 000	RMB 000
於12月31日		人民幣千元	人民幣千元	轉變	人民幣千元	人民幣千元	人民幣千元
Total assets	總資產	2,645,130	1,829,900	+44.6%	1,401,768	966,518	633,396
Non-current assets	非流動資產	1,339,571	899,343	+48.9%	657,841	388,792	288,162
Current assets	流動資產	1,305,559	930,557	+40.3%	743,927	577,726	345,234
Total liabilities	總負債	1,569,379	968,251	+62.1%	645,454	399,867	342,488
Current liabilities	流動負債	855,717	752,577	+13.7%	560,797	387,855	342,283
Non-current liabilities	非流動負債	713,662	215,674	+230.9%	84,657	12,012	205
Net current assets	流動資產淨值	449,842	177,980	+152.7%	183,130	189,871	2,951
Net assets	資產淨值	1,075,751	861,649	+24.8%	756,314	566,651	290,908

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		2007	2006	2005	2004	2003
Inventory turnover days 存貨周轉日數		71	58	50	46	44
Trade receivable turnover days 應收貿易款項 周轉日數		33	27	28	30	33
Trade payable turnover days 應付貿易款項 周轉日數		48	35	27	18	24
Current ratio 流動比率		1.5	1.2	1.3	1.5	1.0
Net debt to equity ratio (Note 1) 淨債項對股本比率 (附註1)		0.67	0.42	0.11	0	0.68
Return on equity (Note 2) 股本回報率 (附註2)		25%	24%	27%	32%	33%

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

附註1：根據借貸總額扣除現金及現金等值物以及已抵押銀行存款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 2003, 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二零零三年一月一日起(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 2007 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 2003. This financial highlights include the results of the Company and its subsidiaries with effect from 1 January 2003 or since their respective dates of incorporation, whichever is a shorter period. The combined balance sheets as at 31 December 2003 are the combination of the balance sheets of all the companies comprising the Group as at 31 December 2003. In the opinion of the directors ("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，本集團截至二零零七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二零零三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二零零三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。於二零零三年十二月三十一日的合併資產負債表合併於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(「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

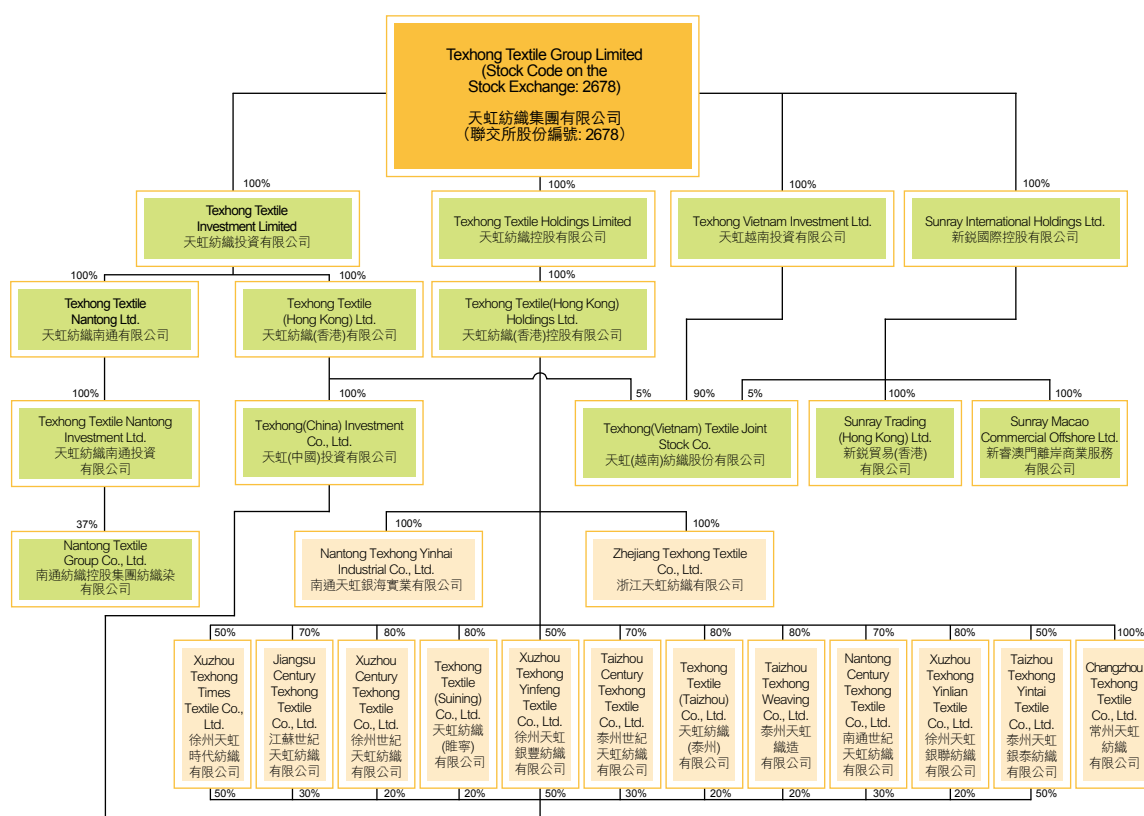
Texhong Textile Group Limited (“Texhong Textile” or the “Group”) (Stock code on the Stock Exchange: 2678) is one of the largest cotton textile manufacturers in the People’s Republic of China (“China” or the “PRC”) and is a leading textile enterprise focusing on manufacturing high value-added core-spun 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) and a production base in Vietnam with total production capacity of over 600,000 spindles and 1,100 shuttleless looms.

企業簡介

天虹紡織集團有限公司(「天虹紡織」或「本集團」)(聯交所股份編號: 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個高效生產基地及在越南設有1個生產基地，具備超過600,000個紗錠及1,100台無梭織機的生產能力。

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 Company, I am pleased to present to our shareholders the Group's annual results for the year ended 31 December 2007.

本人謹代表本公司董事會(「董事會」)，欣然向本公司股東呈列本集團截至二零零七年十二月三十一日止年度的全年業績。

RESULTS

In line with the Group's business expansion strategy, the Group has continued to grow significantly and gain market share in upstream high value-added core spun cotton textile market in China. During the year, the Group's turnover increased by 22.0% to RMB3,254.1 million. Profit attributable to shareholders increased by 24.8% to RMB237.8 million. Earnings per share were RMB0.27 in 2007, compared to RMB0.22 in 2006.

業績

本集團按照其業務拓展策略，繼續銳意發展中國高附加值的棉包芯上游紡織市場，並增加了市場佔有率。年內，本集團之營業額上升22.0%至人民幣32.541億元，股東應佔溢利上升24.8%至人民幣2.378億元。二零零七年的每股盈利為人民幣0.27元，而二零零六年則為人民幣0.22元。

DIVIDEND

The Board has resolved to declare a final dividend of HKD0.075 per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, total dividend per share for 2007 will amount to HKD0.075, the dividend for the year represents a 26% payout of the total net profit for the year.

股息

董事會決議派發末期股息每股0.075港元。待股東於即將舉行之股東週年大會上批准後，二零零七年股息總額將為每股0.075港元，年內股息佔年內總純利26%。

CHAIRMAN'S STATEMENT 主席報告書

OUTLOOK

2008 is a critical year for all players in China textile industry. The market expected rapid appreciation of RMB will further impact the cost competitiveness of China textile and garment products in the international market, it is believed that substantial part of the overseas orders will be shifted to some developing countries in Asia with rapid development in textile industry, such as Pakistan and India. Sub-prime crisis has caused US economy to the edge of recession and is likely to slow-down the economic growth pace of EU. As a result, the slow-down of the two major economies in the world has almost declared a slow-down in global demand for textile products. Continuous surge in raw materials, energy and labour costs will further impact the profitability of China textile players. The overall overcapacity in textile industry will continue to cut the ever-slim profit margin of those manufacturers with a simple commoditised product structure. Tightening monetary policy in Mainland China as a key macro-economic control is unlikely to be relaxed in first half of 2008. All of above challenges will test the overall competitiveness and risk management capability of China textile players in 2008. We expect that some of the industry players will be squeezed out in the near future, which is likely to accelerate the consolidation process of the fragmented textile industry of China and, in the long run, enhance the competitiveness and economies of scale of large-scaled textile enterprises.

Leveraging on its leading market position in core-spun textile products, the Group has gained further market share and customer base in Mainland China and in the export market including Hong Kong, Japan, Turkey and some of the ASEAN countries in 2007. We expect that the Group's differentiated-product marketing strategy will continue to help in keeping current growth trend in sales of core-spun textile products in Mainland China in 2008.

Following the establishment of the formal research and development centre in Changzhou, the Group will devote more resources to improve its competitive strengths by introducing more innovative new core-spun textile products like the core-spun yarn and fabrics with metallic wires, polyester, polypropylene and nylon for enriching the Group's product structure and enhance the overall profit margin of the Group's products. At the same time, the Group will devote more resources in 2008 on brand name development and quality assurance of its yarn and fabric products after the successful launch of the international standard sales platform at Texhong (China) Investment Co., Ltd., its regional headquarter in Shanghai in July 2007.

展望

二零零八年對中國紡織業而言乃相當關鍵的一年。市場所預期的人民幣急速升值將進一步打擊中國紡織及成衣產品於國際市場的成本競爭力，相信大量海外訂單將因而轉往亞洲其他發展中國家，如巴基斯坦及印度等紡織業迅速發展的地區。加上美國次按危機已令當地經濟步往衰退邊緣，且可能連帶拖慢歐盟經濟增長步伐。因此，全球兩大主要經濟體系發展放緩已足以令全球紡織品需求下降。原材料、能源及勞工成本持續上升均會進一步影響中國紡織業界的盈利能力。紡織業的整體生產力過剩將進一步削減那些只擁有簡單商品化產品結構製造商的盈利率。此外，收緊金融政策乃中國內地經濟宏觀調控的主要手段，相信有關政策不會於二零零八年上半年放寬。上述挑戰將於二零零八年考驗中國紡織業界的整體競爭力及風險管理能力。我們預期部份經營者將於可見未來被淘汰，藉此加速中國分散的紡織業的整合過程。長遠來說，此情況將提升大型紡織企業的競爭力及規模經濟。

本集團憑藉其於棉包芯紡織產品市場的領導地位，於二零零七年在中國國內市場，以及香港、日本、土耳其及部份東盟國家等出口市場取得更多的市場佔有率及客戶基礎。我們預期，本集團差異化產品的市場策略將有助棉包芯紡織產品於二零零八年在中國內地的銷售保持增長趨勢。

本集團於常州成立正規研發中心後，將集中更多資源推出更多創新棉包芯紡織品（如金屬絲、滌綸、錦綸及丙綸的棉包芯紗線及布料），以增強產品的競爭力，從而優化產品結構，提高本集團產品的整體毛利率。同時，本集團於二零零七年七月在上海地區總部天虹（中國）投資有限公司成功推出具國際水平的銷售平台後，將於二零零八年投放更多資源以加強其紗線及坯布產品的品牌建設及品質保證業務。

CHAIRMAN'S STATEMENT 主席報告書

OUTLOOK (Continued)

For the purpose of funding its business development plans, the Group has arranged a three-year syndication loan facility of US\$80 million and a five-year debenture of US\$25 million in 2007. Part of the facilities was utilised in 2007 and remaining part will be drawn in 2008 for the Group's capital expenditures. Following the successful commencement of the commercialised production of its Phase I project in Vietnam, the Group will continue to implement its Vietnam investment plan and expand its upstream yarn production capacity in Vietnam for supplying the Group's customers in China as well as developing textile markets in ASEAN countries. It is expected that the Group's total yarn production capacity will be increased to about 740,000 spindles before the end of 2008 by adding the Phase II of 140,000 spindles in Vietnam. By taking the advantages of the expected substantially lower manufacturing cost in Vietnam as compared to China, it is expected that the Group's overall average cost of its core-spun textile products could be decreased in the near future after the planned yarn production capacity of 210,000 spindles (Phase I and Phase II together) in Vietnam have been gradually put into commercialised operations in 2008.

Looking ahead, China will remain as the Group's core market in 2008 and it is expected that sales in China will attain outstanding growth with the Group's current differentiated-product strategy and the expected growing demand of high-value added textile products as results of the rapid growth in domestic consumption power in recent years. Following the successful establishment of the Phase I yarn production base in Vietnam, the Group will form a sales and marketing team in Vietnam in 2008 for exploring the market opportunities in Vietnam and other ASEAN countries. Being one of the most competitive cotton textile manufacturers in China and a leading supplier of core-spun textile products in the world, the Directors are confident that in 2008, the Group's market position in China as well as in ASEAN countries, will be further enhanced in line with its business expansion plans.

ACKNOWLEDGEMENT

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

Hong Tianzhu
Chairman

Hong Kong
3 April 2008

展望(續)

本集團為實行其業務發展計劃而籌集資金，已於二零零七年安排一筆為期三年的8,000萬美元銀團貸款及一項為期五年的2,500萬美元的債券。部份融資貸款已於二零零七年提用，其餘款項將於二零零八年提取以應付本集團的資本開支。繼越南擴充計劃第一期順利進行商業化生產後，本集團將繼續推行其越南投資計劃及拓展其在越南的上游業務紗線廠的產能，以供應本集團的中國客戶及開拓東盟紡織市場。待本集團於越南的第二期計劃擴充140,000個紗錠的產能完成後，預期集團總紗線產能將於二零零八年年底前增至約740,000個紗錠。預期越南的生產成本遠較於中國為低，故於二零零八年210,000個紗錠（第一及第二期合計）逐步進行商業化生產後，本集團將因而受惠，令其棉包芯紡織產品的整體平均成本於可見之將來逐步下降。

展望未來，中國於二零零八年仍將是本集團的核心市場。隨著近年來國內居民的消費力快速上升，對高附加值紡織產品需求持續增加，再加上本集團現時差異化的產品策略，預料在中國的銷售額將持續錄得顯著的增長。繼越南第一期紗線生產基地順利興建後，本集團將於二零零八年在當地建立一支銷售及市場推廣隊伍，以開拓於越南及其他東盟國家的商機。基於本集團是中國最有競爭力的棉紡織品製造商及全球主要棉包芯紡織品供應商之一，故董事相信，於二零零八年本集團在中國及東盟國家的市場地位將會因其業務擴充計劃而進一步得到鞏固。

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
二零零八年四月三日

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

China textile industry experienced several challenges in 2007. Restrictions posted by the EU and the US on the export of China's textile and garment products, together with RMB appreciation and reduction in VAT refund in the export of textile and garment products have substantially reduced the growth magnitude of the export sector of China textile industry, considerable amounts of the textile and garment orders from the EU and the US has been shifted from China to other countries in Asia. As a result, we noted a slow down in growth of the export sales of China's textile and garment products. During the year, China's textile and garment export grew by 19.1% to USD175.6 billion, a slow down of 6 percentage points, as compared to the growth of 25.1% in 2006.

In addition, significant increase in cost of raw materials, energy and labour and more stringent environmental protection policy have declared a substantial increase in cost and severe erosion in the overall competitiveness of China textile players, there was a decline in the profitability of the textile and garment manufacturing sector, especially for those in the down stream of the industry chain.

Despite of the unfavorable market environment, the Group has gained further market recognition in the core-spun textile sector in Mainland China as well as in the overseas market. Sales volume of yarn and grey fabrics increased by 23.6% and 22.8% to 94,887 tonnes and 113 million meters, respectively for the year ended 31 December 2007. Geographically, the Group's yarn and grey fabrics were mainly sold domestically in China with major customers located in Jiangsu Province, Zhejiang Province and Guangdong Province. Sales from domestic market increased by 20.7% and reached a record high of RMB2,842.1 million in 2007.

However, the unfavorable market environment of China textile industry, especially in the export sector, which have indirectly exerted certain pressure on the profit margin of the Group's products in 2007. The overall gross profit margin of the Group's products dropped by 1.7 percentage points to 13.4%, compared to 15.1% in 2006. The drop in gross profit margin was partly due to decrease in average selling price of grey fabrics as results of RMB appreciation and the reduction in VAT refund and partly due to the substantial increase in manufacturing cost, such as labour, energy and the cost of raw materials including spandex, which is the second major raw material of the Group, besides cotton.

業務回顧

中國的紡織業於二零零七年面臨多項挑戰。由於歐盟和美國向中國紡織及成衣產品出口設置了種種限制，加上人民幣升值和紡織品及成衣產品出口的增值稅退稅減少，導致中國紡織業在出口方面的增長速度明顯減慢。不少來自歐盟和美國的紡織及成衣產品訂單，現已從中國轉往亞洲其他國家。因此，我們注意到中國紡織及成衣產品出口銷售增長放緩。年內，中國紡織及成衣產品出口增長19.1%至1,756億美元，較二零零六年錄得的25.1%增長放緩6個百分點。

另外，原材料、能源及勞工成本顯著上升，以及更嚴苛的環保政策均令生產成本大幅上升，嚴重削弱中國紡織業者的整體競爭力，紡織品及成衣製造業的盈利能力有所下降，尤其以位於業界下游的廠商所受影響最大。

儘管市況出現不利因素，但本集團的棉包芯紡織產品在中國大陸及海外市場仍獲得進一步的市場認同。截至二零零七年十二月三十一日止年度，紗線及坯布的銷量分別上升23.6%及22.8%，至94,887噸及113,000,000米。地區方面，本集團生產的紗線及坯布主要於中國國內進行銷售，主要客戶位於江蘇省、浙江省和廣東省。於二零零七年，國內市場的銷售額再創新高，上升20.7%至人民幣28.421億元。

然而，中國紡織業（特別出口方面）出現不利的市場因素，間接對本集團產品於二零零七年的利潤率帶來壓力。本集團產品的整體毛利率下跌1.7百分點至13.4%，二零零六年則錄得15.1%，部分原因是人民幣升值以及出口的增值稅退稅減少，令坯布的平均售價下降；另一原因則是製造成本包括勞工及能源等方面成本的上升，再加上包括氨綸（本集團使用第二主要原材料，僅次於棉花）在內的原材料成本大幅上漲所引致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

BUSINESS REVIEW (Continued)

In response to the market changes, the Group has reviewed its business development strategies and reinforced/formulated following strategies and implemented its business plans accordingly:

(i) Expand product variety through cooperation with giant fiber suppliers and strengthening of its own R&D

Further to its cooperation with Dow Chemical since 2006, the Group has entered into a strategic partnership agreement with Lenzing Fibers (Shanghai) Co., Ltd. ("Lenzing Shanghai") in April 2007. Lenzing Shanghai is a wholly owned subsidiary company of Lenzing AG-Austria, a world leader in cellulose fiber technology, with an annual production capacity of about 520,000 tonnes of viscose, modal and tencel (lyocell) fibers. The cooperation with these giant fiber suppliers helps the Group in exploring high-end textile and garment market in both Mainland China and overseas. As a result, the Group has gained some prominent customers in Japan and Europe and considerable number of orders from overseas.

In addition, the Group has centralized its research and development resources from its headquarter and all PRC factories and established a formal research and development centre in Changzhou to enhance the Group's research and new product development capability and expand the Group's product variety. Following the successful launch of metallic wire series textile products, the Group has actively launched to the market core-spun textile products with polyester, nylon and polypropylene in 2007.

The above actions have gained encouraging response from the market in 2007. As a result, sales of the Group's non-spandex core-spun textile products grew significantly by 61.8% to RMB749.0 million. The Directors believe that continuous and actively launch of new and high value-added core-spun textile products is an effective tool to enhance the Group's leading position in core-spun textile products in the world. In addition, expanding our product variety could effectively diversify the risk of fluctuation in raw material cost in the long run.

業務回顧(續)

為應付市場變化，本集團已檢討其業務發展策略，並相應加強／制訂以下策略和執行其業務計劃如下：

(i) 通過與大型纖維供應商合作及加強本集團的研發部門來增加產品種類

繼二零零六年與陶氏化學合作後，本集團於二零零七年四月與蘭精纖維(上海)有限公司(「蘭精上海」)訂立一項戰略性合作夥伴協議。蘭精上海為奧地利蘭精集團(在纖維素纖維技術方面堪稱世界翹楚)的全資附屬公司，每年生產粘膠、莫代爾及天絲(Lyocell)纖維的產能約520,000噸。本集團通過與這些大型纖維供應商合作，有助本集團在中國大陸和海外開發高端紡織品及成衣市場。因此，本集團在日本和歐洲爭取得不少高端客戶，並從海外獲取大量訂單。

另外，本集團已集中總部及中國各地工廠研發部門的資源，在常州成立一個正規的研發中心，以提升本集團研究及開發新產品的能力，同時增加本集團的產品種類。繼順利推出金屬絲系列的紡織品後，本集團已於二零零七年積極推出滌綸、錦綸及丙綸長絲的棉包芯紡織品。

上述措施於二零零七年取得了令人鼓舞的效果。因此，本集團非氨綸棉包芯紡織品的銷量大幅上升61.8%至人民幣7.49億元。董事相信，持續積極地推出新款高附加值棉包芯紡織品，能有效提高本集團在全球棉包芯紡織品市場的領先地位。長遠來說，增加產品種類也可有效分散原材料成本波動的風險。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

BUSINESS REVIEW (Continued)

(ii) Streamline production process and enhance labour productivity

According to a research/study conducted by China State Textile Industry Council, there was a general increase in major costs of production (including raw materials, energy and labour) for most of their members in the second half of 2007, as compared to that of 2006. Among those major costs, labour costs surged by 14.0%. It is believed that, following the introduction of New PRC Labour Contract Law which became effective on 1 January 2008, labour cost (including wages, welfare and other costs related to labour force) is likely to climb further in 2008. Continuously surging in costs becomes one of the major challenges for China textile manufacturers. During the year, the Group's direct labour costs surged by 31.7%, which was partly due to the increase in number of employees and partly due to the increase in the scale of salary and wages. The Group has reviewed the production process of all its subsidiary factories in China and studied the current structure of labour force employed by each subsidiary, and formulated following measures to streamline production process and enhance labour productivity:

- Further enhance its production process automation policy and gradually reduce headcount in each production line, gradually transform the Group's factories in China from labour-intensive production facilities to capital/technology intensive production facilities;
- Extend the Group's performance-based compensation scheme from senior management level to plant supervisor of each single production process to enhance labour productivity and production efficiency; and
- Invest in employees by employing more internal resources in providing regular formal and on-the-job training, and assist each employee in achieving self-development personal and career goals.

The above measures have been the major human resources task of the Group since the fourth quarter of 2007. The Directors strongly believe that such measures would help the Group in streamlining its current structure of the labour force in each subsidiary factory and enhancing the Group's labour productivity and production efficiency in the near future.

業務回顧(續)

(ii) 精簡生產程序及提高勞工生產力

根據由中國紡織工業協會進行的研究顯示，大部份協會會員於二零零七年下半年的主要生產成本(包括原材料、能源及勞力)普遍較二零零六年增加。其中勞工成本急升14.0%。相信於實施新中國勞動合同法(於二零零八年一月一日生效)後，勞工成本(包括工資、福利及其他有關勞動力的成本)於二零零八年將會進一步攀升。持續不斷上漲的成本乃中國紡織製造業現正面對的主要挑戰之一。年內，本集團的直接勞工成本上升31.7%，部份原因是僱員人數增加，另一原因則是薪金及工資水平上漲。本集團已審視其所有中國附屬工廠的生產過程及研究各工廠現時的勞動力架構，並制訂下列措施以精簡生產程序及提高勞工生產力：

- 進一步推行其生產過程自動化政策，並逐漸減少每條生產線的人手，把本集團位於中國的工廠由勞工密集生產設施逐步轉型為資本／科技密集生產設施；
- 把與本集團業績表現掛鈎的激勵機制由高級管理層推廣至廠房各個生產程序的監工，以提高勞工生產力及生產效率；及
- 投放更多內部資源於僱員身上，定期舉行正式及在職培訓，並協助每位僱員達成其個人及事業目標，各展所長。

自二零零七年第四季起，上述措施已成為本集團於人力資源方面的主要任務。董事深信，該等措施有助本集團於可見將來精簡其現時於各附屬工廠的勞動力架構，以及提高本集團的勞工生產力及生產效率。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

BUSINESS REVIEW (Continued)

(iii) Capacity expansion in Vietnam for lowering manufacturing cost

To overcome the continuous increasing pressure of the manufacturing cost in China, the Group made a strategic move in 2006 to shift its yarn capacity expansion focus from low-cost acquisitions in China to expansion in Vietnam. It is the Group's plan to expand its yarn production capacity in Vietnam to approximately 350,000 spindles before the end of 2009, gradually by three phases. Phase I of the Vietnam expansion plan comprises 70,000 spindles, which has been put into commercialised production in October 2007. Phase II of about 140,000 spindles is currently under construction, it is the Group's plan to put Phase II into trial run operations in the second quarter of 2008 and commence commercialised production in the third quarter. Phase III of about another 140,000 spindles is planned to start construction work immediately after the completion of Phase II and expected to start trial run in the first half of 2009.

As the estimated overall average manufacturing costs (including labour and energy costs) in Vietnam would be substantially lower than the Group's current average manufacturing cost of its 11 factories in Mainland China, the Directors believe that, after putting into operations of the production facilities on the completion of Phase I, II and III, the Group's average manufacturing cost could be gradually lowered, and the Group's overall gross margin of its products is likely to be lowered, and the Group's overall gross margin of its products is likely to be improved in the near future.

業務回顧(續)

(iii) 擴大越南的產能以降低製造成本

為克服在中國製造成本持續上升的壓力，本集團於二零零六年改變策略，將其擴大紗線產能的重點由在中國進行低成本併購轉為在越南擴充產能。本集團計劃於二零零九年底以前，分三期投資將越南的紗線產能逐步擴充至約350,000個紗錠。越南擴充計劃第一期的產能包括70,000個紗錠，已於二零零七年十月開始投入商業化生產。第二期產能擴充包括約140,000個紗錠，目前正在建設中。本集團計劃於二零零八年第二季進行試產，並於第三季開始進行商業投產。第三期包括約140,000個紗錠，計劃於緊隨第二期完成後動工，預期於二零零九年上半年開始試產。

由於在越南的整體平均製造成本(包括勞工及能源開支)預期會大大低於本集團目前在中國內地11個廠房的平均製造成本，故董事相信，隨著第一期、第二期及第三期完成後生產設施陸續投產，本集團的平均製造成本可逐漸降低，因而在可見將來本集團產品的整體毛利率將會有所改善。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

BUSINESS REVIEW (Continued)

To achieve the Group's principal development strategy of becoming a leading vertically integrated manufacturer of high value-added core-spun cotton textile products in the international market, the Group entered into an acquisition agreement with Hong Kong Tin Hong Industrial Limited ("Tin Hong Industrial"), a private company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Hong Tianzhu, an executive Director, to acquire 37% equity interest of Nantong Textile Group Co., Ltd. ("Nantong Textile") at a total consideration of RMB30 million in July 2007. Nantong Textile is a dyeing and printing company based in Nantong, Jiangsu Province. The Directors believe that the acquisition helps the Group to enter into the fabrics printing and dyeing market in Mainland China. In addition, it also provided a low cost acquisition opportunity of yarn spinning capacity to the Group as Nantong Textile expanded its business operations to yarn spinning in September 2007 and is currently having a yarn spinning capacity of 60,000 spindles in commercialised production. The acquisition was completed in September 2007, and the Group's share of profit of the 37% interest in Nantong Textile for the three months ended 31 December 2007 amounted to approximately RMB3.2 million.

業務回顧(續)

為實現本集團的重要發展策略，成為國際市場高增值棉包芯紡織品的領先縱向整合生產商，本集團於二零零七年七月與香港天虹實業有限公司(「香港天虹」)(一間於香港註冊成立的私營有限公司，並由執行董事洪天祝先生全資擁有)訂立收購協議，按代價人民幣30,000,000元收購南通紡織控股集團紡織染有限公司(「南通紡織」)37%股權。南通紡織為一間以江蘇省南通市為基地的染印公司。董事相信收購有助本集團進入中國大陸的印染市場。此外，由於南通紡織已於二零零七年九月擴充其紡紗產能，目前擁有60,000個紗錠已作商業化生產，故收購亦為本集團提供以低成本收購紡紗產能的機會。收購已於二零零七年九月完成，截至二零零七年十二月三十一日止三個月，本集團分佔南通紡織37%權益的溢利約為人民幣3,200,000元。

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 2007. Turnover of the Group by products are shown as below.

		2007		2006		Change
		二零零七年	% of total	二零零六年	% of total	between
		RMB'000	佔總額	RMB'000	佔總額	2007
		人民幣千元	百分比	人民幣千元	百分比	and 2006
						二零零七年
						對比
						二零零六年
						之轉變
Yarn	紗線	2,126,443	65.4%	1,619,103	60.7%	31.3%
Grey fabrics	坯布	989,880	30.4%	815,150	30.6%	21.4%
Garment fabrics	面料	119,972	3.7%	198,873	7.5%	(39.7%)
Other textile products	其他紡織品	17,814	0.5%	34,090	1.2%	(47.7%)
Total	總營業額	3,254,109	100%	2,667,216	100%	22.0%

Yarn continued to be the Group's top selling products with sales amount increased by 31.3%, reaching a record high sales value of RMB2,126.4 million in 2007. Sales of grey fabrics also increased by 21.4%, benefited from the growing demand of high value-added core-spun cotton textile products. However, the continuous appreciation in RMB and further reduction in export VAT refund in 2007 impacted severely in the Group's sales of garment fabrics.

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。由於二零零七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：

紗線仍是本集團銷售最突出的產品，二零零七年銷售額增長31.3%，銷售額創人民幣2,126,400,000元的新高。坯布銷售額亦上升21.4%，乃受惠於高附加值棉包芯紡織品的需求增長。然而，於二零零七年，人民幣持續升值以及出口增值稅之退稅被進一步削減，均嚴重影響本集團的面料銷售。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL REVIEW (Continued)

Gross profit and gross profit margin

Due to the rise in sales volume and the gain in market share in the core-spun cotton textile products, gross profit of the Group increased from RMB402.9 million to RMB434.8 million, representing an increase of 7.9% compared to last year.

Nevertheless, RMB appreciation and cut in VAT refund have greatly 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 cotton and spandex prices, energy and labour costs has exerted significant cost pressure to the Group. The above pressures on selling prices and manufacturing costs has resulted in a drop of gross profit margin by 1.7 percentage points to 13.4% in 2007.

Cost structure

Cost of sales increased by 24.5% to RMB2,819.4 million. Besides the increase in production volume, the rise in raw material costs (such as cotton, viscose and spandex) and labour costs has also led to an increase in the proportion of raw material and direct labour costs to the Group's total manufacturing costs.

財務回顧(續)

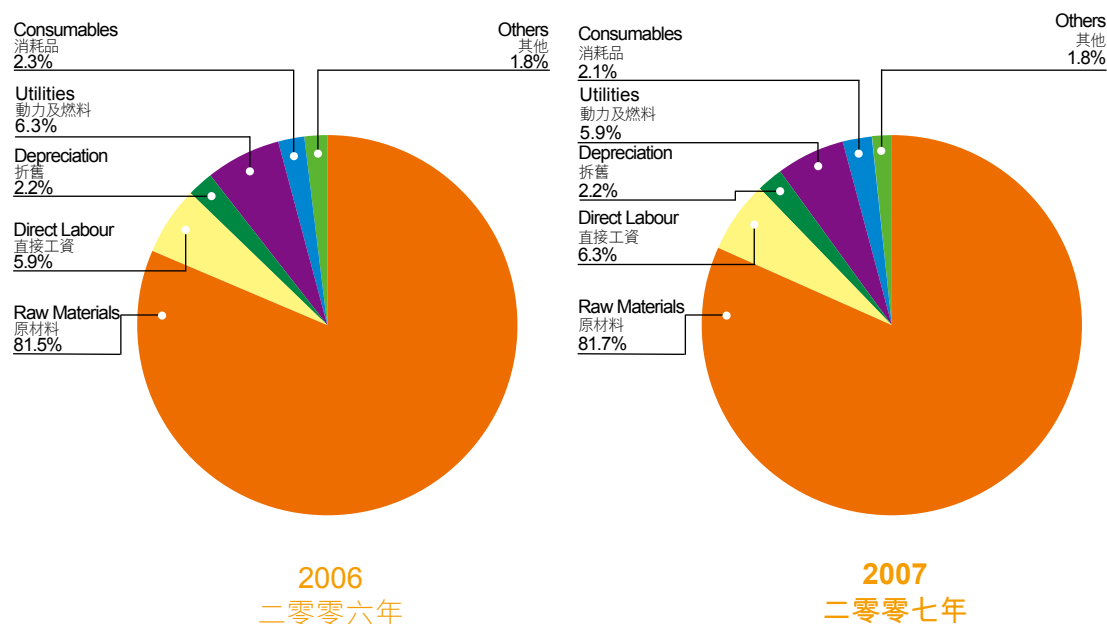
毛利及毛利率

由於棉包芯紡織品銷量上升並增加了市場佔有率，本集團的毛利由去年人民幣402,900,000元上升7.9%至人民幣434,800,000元。

但人民幣升值以及削減增值稅退稅則嚴重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，棉花及氨綸成本的增加，以及能源及勞動成本的上升均對本集團構成沉重成本壓力。以上售價及生產成本壓力已導致二零零七年毛利率下跌1.7百分點至13.4%。

成本架構

銷售成本增加24.5%至人民幣2,819,400,000元。除產量增加外，棉花、粘膠及氨綸等原材料成本及勞工成本的上升亦導致原材料及直接勞工成本佔本集團總生產成本之比例增加。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL REVIEW (Continued)

Selling and distribution costs

For the year ended 31 December 2007, the Group's selling and distribution costs amounted to RMB75.9 million, representing an increase of 17.0% compared to that of last year. The increase was in line with the increase in sales volume.

General and administrative expenses

During the year, the Group's general and administrative expenses increased by 30.3% to RMB144.4 million, which amounted to 4.4% of the Group's turnover. The increase was mainly due to the increase in employees in relation to administration and management of the new production facilities in Vietnam.

Cash flow

Net cash generated from operating activities	經營活動所得現金淨額
Net cash used in 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 2007, net cash generated from operating activities amounted to RMB122.7 million. The increase in net cash inflow from operating activities was mainly due to the increase in the Group's trade and bills payable as a result of utilisation of the Group's trade finance banking facilities. The net cash used in investing activities amounted to RMB490.0 million, which was mainly used for the payment of machinery and other capital expenditures of the Phase I of the Group's new production base in Vietnam. During the year under review, the net cash inflow from financing activities amounted to RMB427.0 million, representing the net increase in bank borrowings, including the partial drawdown of a 3-year syndication loan agreement of US\$80 million entered by the Company from a bank syndicate with ABN AMRO Bank and Citibank as lead banks. In addition, the Group issued a 5-year debenture of US\$25 million to Deutsche Bank in 2007.

財務回顧(續)

銷售及分銷開支

於截至二零零七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17.0%至人民幣75,900,000元。升幅是由於銷售量增加所致。

一般及行政開支

本集團於年內之一般及行政開支增加30.3%至人民幣144,400,000元，佔本集團營業額4.4%。升幅主要由於越南的新廠房增聘行政及管理人員。

現金流量

	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Net cash generated from operating activities	122,708	41,338
Net cash used in investing activities	(489,965)	(232,948)
Net cash inflow from financing activities	426,985	71,525
Cash and cash equivalents at 31 December	199,615	139,887

截至二零零七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人民幣122,700,000元。經營活動所得現金淨額增加主要是由於動用本集團的銀行貿易融資以致本集團應付貿易及票據款項上升。本集團投資活動所耗現金淨額為人民幣490,000,000元，主要用於支付本集團位於越南的新生產基地第一期的機器設備及其他資本開支。於回顧年度內，本集團融資活動所得現金淨額為人民幣427,000,000元，亦即銀行貸款增加淨額，當中包括提取一筆為期三年的8,000萬美元銀團貸款的部份款項。有關該銀團貸款的協議由本公司與荷蘭銀行及花旗銀行作為牽頭銀行的銀團訂立。此外，本集團於二零零七年向德意志銀行發出一項為期五年的2,500萬美元債券。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL REVIEW (Continued)

Liquidities and financial resources

As at 31 December 2007, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB210.4 million (as at 31 December 2006: RMB154.3 million).

As a result of business expansion in 2007, the Group's inventories and trade and bills receivables increased substantially by RMB201.2 million and RMB137.4 million to RMB651.9 million and RMB364.8 million, respectively (as at 31 December 2006: RMB450.7 million and RMB227.5 million). The inventory turnover days and trade receivable turnover days were 71 days and 33 days respectively, compared to 58 days and 27 days in 2006. The increase in inventory turnover days was partly due to an increase in the inventory level of cotton in December 2007 for the new production facilities in Vietnam, which has just commenced commercialised production in October 2007, and partly due the increase of strategic reserve of cotton for the production use in 2008.

To cater for capital expenditure requirement as a result of the Group's business expansion in Vietnam, the Group's long-term bank borrowings increased by RMB498.1 million to RMB702.6 million as at 31 December 2007. Short-term bank borrowings was reduced by RMB83.3 million to RMB225.3 million as a result of substantial utilisation of trade finance facilities granted by various commercial banks in 2007.

As at 31 December 2007, the Group's financial ratios were as follows:

		2007 二零零七年	2006 二零零六年
Current ratio	流動比率	1.53	1.24
Debt to equity ratio	負債權益比率	0.86	0.60
Net debt to equity ratio	負債淨額權益比率	0.67	0.42

Borrowings

As at 31 December 2007, the Group's total bank borrowings amounted to RMB927.8 million. Among which, RMB226.5 million (24.4%) were denominated in Renminbi and RMB701.3 million (75.6%) were denominated in United States dollars. These loans borne interest at interest rates ranging from 6.1% to 7.2% per annum (2006: 3.0% to 8.0%).

財務回顧(續)

流動資金及財務資源

於二零零七年十二月三十一日，本集團的銀行及現金結餘(包括已抵押銀行存款)為人民幣210,400,000元(於二零零六年十二月三十一日：人民幣154,300,000元)。

隨著於二零零七年進行業務擴充，本集團的存貨及應收貿易及票據款項分別大幅增加人民幣201,200,000元及人民幣137,400,000元至人民幣651,900,000元及人民幣364,800,000元(於二零零六年十二月三十一日：人民幣450,700,000元及人民幣227,500,000元)。存貨周轉天數及應收貿易賬款周轉天數分別為71天及33天，而二零零六年則分別為58天及27天。存貨周轉天數增加部份原因乃為配合於二零零七年十月開始投入商業化生產的越南新生產設施，以致二零零七年十二月之棉花存貨水平增加；部份由於增加棉花的策略性儲備以供二零零八年生產使用所致。

為應付本集團在越南擴充業務所帶來的資本開支需求，本集團於二零零七年十二月三十一日的長期銀行借貸增加人民幣498,100,000元至人民幣702,600,000元。短期銀行借貸則減少人民幣83,300,000元至人民幣225,300,000元，此乃因為於二零零七年動用由多間商業銀行授出的貿易融資貸款中大額款項所致。

於二零零七年十二月三十一日，本集團之財務指標如下：

借貸

於二零零七年十二月三十一日，本集團的借貸總額為人民幣927,800,000元，其中人民幣226,500,000元(24.4%)以人民幣列值，其餘人民幣701,300,000元(75.6%)則以美元列值。該等貸款按年利率6.1%至7.2%(二零零六年：3.0%至8.0%)計息。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL REVIEW (Continued)

Borrowings (Continued)

The Group has successfully reduced the proportion of short-term loan to the total debt level from 60.1% to 24.3% in 2007. In June 2007, the Group entered into a facility agreement with a syndicate of banks for a 3-year loan facility up to principal amount of US\$80 million. Among which, approximately US\$55 million has been drawn by the Group in 2007. In addition, the Group issued a 5-year debenture of US\$25 million in 2007. The proceeds from the syndication loan drawn and the debenture were mainly used for repayment of bank loans of the Group's various operating subsidiaries in Mainland China and for the payment of machinery and other capital expenditure of the Group's Vietnam project.

Of the total bank borrowings of RMB927.8 million, RMB31.5 million were secured by the followings:

- (i) pledge of the Group's certain land use rights with a net book amount of approximately RMB4.7 million as at 31 December 2007 (2006: RMB32.2 million);
- (ii) pledge of the Group's property, plant and equipment with a net book amount of approximately RMB46.0 million (2006: RMB17.8 million); and
- (iii) floating charges over the Group's inventories with a net book amount of RMB14.6 million (2006: RMB60.2 million).

Foreign exchange risk

The Group mainly operates in the Mainland China and Vietnam. Most of the Group's transactions, assets and liabilities are dominated in RMB, USD and Vietnam Dong. 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. As the Group's management considers the possibility of the depreciation of RMB in the coming year is low, the management does not expect there will be any significant foreign exchange risk associated with the Group's borrowing. As a result, the Group did not use any financial instruments to hedge its foreign exchange risk arising from the Group's borrowings.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

財務回顧(續)

借貸(續)

於二零零七年，本集團已將短期貸款佔總債項水平的比例由60.1%順利減至24.3%。於二零零七年六月，本集團與一銀團就一項為期三年本金金額高達8,000萬美元之貸款訂立融資協議，並於二零零七年動用其中約5,500萬美元。此外，本集團於二零零七年發出一項為期五年的2,500萬美元債券。從銀團貸款提取的款項及定向債券所得款項主要用於償還本集團在中國內地多間經營附屬公司的銀行貸款及支付本集團於越南項目的機器設備及其他資本開支。

人民幣927,800,000元的銀行借貸總額中，其中人民幣31,500,000元以下列各項作為抵押：

- (i) 本集團於二零零七年十二月三十一日抵押的土地使用權賬面淨值約人民幣4,700,000元(二零零六年：人民幣32,200,000元)；
- (ii) 本集團抵押的物業、廠房及設備賬面淨值約人民幣46,000,000元(二零零六年：人民幣17,800,000元)；及
- (iii) 本集團浮動抵押的存貨賬面淨值為人民幣14,600,000元(二零零六年：人民幣60,200,000元)。

外匯風險

本集團主要在中國內地及越南營運。本集團大部份交易、資產及負債以人民幣、美元及越南盾計值。外匯風險為來自於未來海外營運中的商業貿易、已確認資產及負債及投資淨額。本集團進行定期檢討及監察其外匯風險程度以管理其外匯風險。本集團所面對的外匯風險主要來自其以美元計值的銀行借貸。由於本集團管理層認為人民幣於來年貶值之可能性甚低，故管理層並不預期將會有任何涉及本集團借貸之重大外匯風險。因此，本集團並無運用任何金融工具對沖任何因本集團借貸所產生之外匯風險。

本集團有若干外國業務投資，其資產淨值面對外幣匯兌風險。本集團於外國業務的資產淨值所產生的貨幣風險主要透過以相關外幣計值的借貸予以管理。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL REVIEW (Continued)

Capital expenditure

For the year ended 31 December 2007, the capital expenditure of the Group amounted to RMB502.2 million (2006: RMB233.2 million). It mainly comprises of additions of land use rights and property, plant and equipment for the newly constructed factories in Vietnam.

Contingent liabilities

As at 31 December 2007, the Group had contingent liabilities of RMB21.9 million (as at 31 December 2006: 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 and the management of the Group anticipate that no material liabilities will arise from the aforementioned contingencies.

Human Resources

As at 31 December 2007, the Group had a total workforce of 14,952 (as at 31 December 2006: 12,567), of whom 13,580 were located throughout our 11 manufacturing plants in China, 176 were based in regional headquarter in Shanghai, 1,192 were located at the Group's new production base in Vietnam and 4 were based in Hong Kong. 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 an equitable return. The Board has recommended a final dividend of HKD0.075 per share in respect of the financial year ended 31 December 2007 to shareholders whose names appeared on the register of members on 16 May 2008. Subject to approval of the shareholders at the forthcoming Annual General Meeting, the dividend for the year represents a 26% payout of the total net profit for the year.

財務回顧(續)

資本開支

於截至二零零七年十二月三十一日止年度，本集團之資本開支為人民幣502,200,000元(二零零六年：人民幣233,200,000元)，主要包括為越南新建廠房取得額外的土地使用權，以及購置物業、廠房及設備相關支出。

或然負債

於二零零七年十二月三十一日，本集團的或然負債為人民幣21,900,000元(於二零零六年十二月三十一日：人民幣21,900,000元)，該金額乃關於本集團購買一幅位於中國江蘇省泰州的土地而獲泰州經濟開發區管理委員會發放的政府撥款。本集團董事及管理層預期上述或然事項將不會產生重大負債。

人力資源

於二零零七年十二月三十一日，本集團員工合共14,952名(於二零零六年十二月三十一日：12,567名)，其中13,580名屬中國大陸的11個生產基地，176名駐於上海的地區總部，另1,192名位於本集團在越南之新生產基地以及4名駐於香港。新聘僱員為應付本集團於年度內擴充的業務。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的表現獲授酌情花紅及購股權。本集團致力於架構內塑造積極學習及互相分享的文化。本集團的成功有賴由技巧純熟且士氣高昂的員工組成各職能部門，故此本集團重視員工的個人培訓及發展，以及建立團隊。

股息政策

董事會擬維持長遠而穩定的派息比率，務求為股東爭取合理回報。董事會建議就截至二零零七年十二月三十一日止財政年度向名列於二零零八年五月十六日的股東名冊內的股東派發每股0.075港元的末期股息。待股東於即將舉行的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26%。

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 2007, 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 31 to 33.

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，於截至二零零七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31至33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:		
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 Mr. Ting Leung Huel Stephen, Mr. Cheng Longdi and Ms. 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 Mr. Cheng Longdi and HKD168,000 to Mr. Ting Leung Huel Stephen for the year ended 31 December 2007. 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 20 to 22 in the section "The Board" above, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Company has established a Remuneration Committee, which comprises three independent non-executive directors of the Company, namely Mr Ting Leung Huel, Stephen, Ms Zhu Lanfen and Mr Cheng Longdi and the chairman of the Company, namely Mr Hong Tianzhu. The 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。本公司已就截至二零零七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先生及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，包括薪酬委員會及審核委員會，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20至22頁「董事會」一節提述)已按可行情況下在每次委員會會議上採納。

薪酬委員會

本公司已成立酬金委員會，該委員會由三名獨立非執行董事組成，包括丁良輝先生、朱蘭芬女士及程隆棣先生及本公司主席洪天祝先生。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:

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| <p>(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;</p> <p>(b) to have the delegated responsibility to determine the specific remuneration packages of all Directors and senior management;</p> <p>(c) to make recommendations to the Board of the remuneration of non-executive Directors;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;</p> <p>(h) to ensure that no director or any of his associates (as defined in the Listing Rules) is included in deciding his own remuneration;</p> <p>(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.</p> | <p>(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；</p> <p>(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；</p> <p>(c) 就非執行董事的酬金向董事會作出建議；</p> <p>(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；</p> <p>(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，及該服務協議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；</p> <p>(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；</p> <p>(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；</p> <p>(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；</p> <p>(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)。</p> |
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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：

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 2007 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	程隆楦	1/1

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2007. 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 39 to 42 and note 16 to the financial statements.

Audit Committee

The Audit Committee has been established since November 2004, the current members of the Audit Committee are Mr. Ting Leung Huel, Stephen (Chairman), Ms. Zhu Lanfen and Mr. 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。於二零零七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，薪酬委員會亦於二零零七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39至42頁及財務報表附註16。

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)、朱蘭芬女士及程隆楦先生。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:

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| <p>(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;</p> <p>(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;</p> <p>(c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;</p> <p>(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;</p> <p>(e) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;</p> <p>(f) to review the Company's financial controls, internal control and risk management systems;</p> <p>(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;</p> <p>(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;</p> <p>(i) to review the Group's financial and accounting policies and practices;</p> <p>(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.</p> | <p>(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；</p> <p>(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；</p> <p>(c) 研究及實施委任外聘核數師提供非審核服務的政策；</p> <p>(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；</p> <p>(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；</p> <p>(f) 檢討本集團之財務監控、內部監控及風險管理制度；</p> <p>(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；</p> <p>(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；</p> <p>(i) 審核本集團的財務及會計政策及常規；</p> <p>(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。</p> |
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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：

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 2007 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	2/2
Zhu Lanfen	朱蘭芬	2/2
Cheng Longdi	程隆棣	2/2

During the meetings held in 2007, the Audit Committee had performed the work as summarised below:

- (i) reviewed and approved the audit scope and fees proposed by the external auditors regarding the final audit of the Group for the year ended 31 December 2006 (the "2006 Final Audit") and for the interim results review for the six months ended 30 June 2007 (the "2007 Interim Review");
- (ii) reviewed the external auditors' report of finding in relation to the 2006 Final Audit and the auditors' report on the connected transactions for the year ended 31 December 2006 where waivers had been granted by the Stock Exchange;
- (iii) reviewed the external auditors' independent review report in relation to the 2007 Interim Review;
- (iv) reviewed the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007; and
- (v) reviewed the effectiveness of internal control system of the Group including financial, operational and compliance controls and risk management functions of the Group.

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

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。於二零零七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 meeting 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

於二零零七年舉行之會議，審核委員會已履行之工作概述如下：

- (i) 檢討及批准外聘核數師建議之本集團截至二零零六年十二月三十一日止年度之年終審核(「二零零六年年終審核」)及截至二零零七年六月三十日止六個月之中期業績審閱(「二零零七年中期審閱」)之核數範圍及費用；
- (ii) 檢討外聘核數師之二零零六年年終審核結果之報告，以及對截至二零零六年十二月三十一日止年度取得聯交所授予豁免之關連交易之核數師報告；
- (iii) 檢討外聘核數師就二零零七年中期審閱之獨立審閱報告；
- (iv) 檢討截至二零零六年十二月三十一日止年度及截至二零零七年六月三十日止六個月之財務報告；及
- (v) 檢討本集團內部控制系統，包括本集團的財務、營運及遵規控制情況及風險管理功能的效率。

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 2007, 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 56 and 57.

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 paid and payable to the Company's external auditors, Messrs. PricewaterhouseCoopers, is set out as follows:

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	3,820
Non-audit services (including agreed-upon procedures for continuing connected transactions and preliminary announcement of results)	非核數服務 (包括為持續 關連交易程序及初步業績 公佈所進行的協定程序)	—
Total:	合計:	<u>3,820</u>

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。截至二零零七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56及57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，已付及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：

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, 3 April 2008

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，二零零八年四月三日

DIRECTORS AND SENIOR MANAGEMENT

董事及高級管理層

DIRECTORS

Executive Directors

Mr. Hong Tianzhu, 40, 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 18 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 51.36% by him. Each of New Green Group Limited and Trade Partner Investments Limited was the beneficial owner of 395,459,173 and 163,500,000 shares of HK\$0.1 each in the Company as at 31 December 2007 respectively.

Mr. Zhu Yongxiang, 41, 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 88,216,000 shares of HK\$0.1 each in the Company as at 31 December 2007 respectively.

Mr. Tang Daoping, 42, 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，40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。彼於紡織業擁有逾十八年經驗，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51.36%權益。於2007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395,459,173股股份及163,500,000股股份的實益擁有人。

朱永祥先生，41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。朱先生於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2007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88,216,000股股份的實益擁有人。

湯道平先生，42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)

Executive Directors (Continued)

Mr. Gong Zhao, 53, 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, 66, 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, 48, 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)

執行董事(續)

龔照先生，53歲，本集團執行董事兼副總裁。彼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。龔先生於紡織業擁有逾二十五年豐富經驗，在於1998年加入本集團出任副總經理前，龔先生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，66歲。朱女士於華東紡織工學院修讀紡織。朱女士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。朱女士現亦為中國棉紡織行業協會的副理事長。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。

程隆棣教授，48歲。程教授於2002年取得東華大學的紡織博士學位，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，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)

Independent Non-executive Directors (Continued)

Mr. TING Leung Huel, Stephen, MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD, aged 54, 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. He was 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. Sha Tao, 42, 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).

Mr. Hu Zhiping, 44, 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 20 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.

董事(續)

獨立非執行董事(續)

丁良輝先生，MH、FCCA、FCPA (PRACTISING)、ACA、FTIHK、FHKIoD，54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

沙淘先生，42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，彼曾出任南通第二棉紡織廠其中一家廠房的廠長。

胡志平先生，44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。彼於紡織業擁有逾二十年經驗。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。

DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理層

SENIOR MANAGEMENT (Continued)

Mr. Shu Wa Tung, Laurence, 35, 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 Piper Jaffrany Asia Capital Limited (formerly known as 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)

舒華東先生，35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，舒先生為派杰亞洲融資有限公司(前稱金榜融資(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

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

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

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

REMUNERATION COMMITTEE

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

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Shu Wa Tung, Laurence

公司秘書 及合資格會計師

舒華東先生

AUTHORISED REPRESENTATIVES

Mr. Hong Tianzhu
Mr. Shu Wa Tung, Laurence

授權代表

洪天祝先生
舒華東先生

HEAD OFFICE

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

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

註冊辦事處

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

CORPORATE INFORMATION 公司資料

PRINCIPAL BANKERS

Citibank (China) Co., Ltd. Shanghai Branch
ABN AMRO (China) Bank N.V. (formerly known as
ABN AMRO Bank N.V., Shanghai Branch)
Industrial and Commercial Bank of China
China Construction Bank
Bank of Communications

主要往來銀行

花旗銀行(中國)有限公司上海分行
荷蘭銀行(中國)有限公司
(前稱荷蘭銀行有限公司上海分行)
中國工商銀行
中國建設銀行
中國交通銀行

AUDITORS

PricewaterhouseCoopers

核數師

羅兵咸永道會計師事務所

LEGAL ADVISORS AS TO HONG KONG LAW

Chiu & Partners

法律顧問(香港法律)

趙不渝·馬國強律師事務所

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

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

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

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

WEBSITE

www.texhong.com

互聯網址

www.texhong.com

STOCK CODE

2678

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 2007.

本公司董事提呈截至二零零七年十二月三十一日止年度之報告連同本公司經審核賬目。

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 37 to the accompanying financial statements.

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37。

business segments

As at 31 December 2007, the Group operated in one business segment – manufacturing and sale of yarn, grey fabrics and dyed fabrics. Accordingly, no analysis of the business segment information is presented.

業務分類

於二零零七年十二月三十一日，本集團經營單一業務分類—製造及銷售紗線、坯布及染色布料，故並無呈列業務分類資料分析。

geographical segments

The Group operates in two main geographical areas, Mainland China and Vietnam. Geographical analysis of sales, segment results, total assets, and capital expenditures are set out in note 5 to the accompanying financial statements.

地區分類

本集團主要於中國大陸及越南這兩地區經營業務。營業額、分類業績、資產總額及資本開支之地區分析載於隨附之財務報告附註5。

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 60 of this annual report.

業績及分派

本集團之於截至二零零七年十二月三十一日止年度業績載列於本年報第60頁之綜合損益表。

The Board has recommended a final dividend of HKD0.075 per share in respect of the financial year ended 31 December 2007 to shareholders whose names appeared on the register of members on 16 May 2008. 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 8 May 2008.

董事會已建議派付截至二零零七年十二月三十一日止財政年度之末期股息每股0.075港元予於二零零八年五月十六日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二零零八年五月八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。

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2007 are set out in note 17 to the accompanying financial statements.

儲備

本集團截至二零零七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17。

REPORT OF THE DIRECTORS 董事會報告

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2007 are set out in note 7 to the accompanying financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 15 to the accompanying financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2007 is set out in note 17 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 3 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.

物業、廠房及設備

本集團截至二零零七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7。

股本

本公司之股本變動詳情載於隨附之財務報告附註15。

可供分派儲備

本公司於截至二零零七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17。

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3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。

REPORT OF THE DIRECTORS 董事會報告

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.

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.

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。

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。

REPORT OF THE DIRECTORS 董事會報告

SHARE OPTIONS (Continued)

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

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the 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 2007, 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;

購股權(續)

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

根據購股權計劃,股份之認購價將由董事釐定,惟不得少於(以較高者為準)(i)授出購股權要約日期(須為營業日)在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。

於二零零七年十二月三十一日,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;

REPORT OF THE DIRECTORS 董事會報告

SHARE OPTIONS (Continued)

(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.

As at 31 December 2007, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 3,142,000, representing approximately 0.355% of the Shares of the Company in issue at that date.

Details of the outstanding share options as at 31 December 2007 which have been granted under the Pre-IPO Share Option Scheme are as follows:

	Date of grant 授出日期	Number of option shares 購股權數目		Outstanding at 31 December 2007 於二零零七年 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 (i)) (附註(i))
		Outstanding at 1 January 2007 於二零零七年 一月一日 尚未行使	Exercised during the year 年內已行使			
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

購股權(續)

(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。

於二零零七年十二月三十一日，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3,142,000股股份，相當於該日期本公司已發行股份之約0.355%。

於二零零七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：

REPORT OF THE DIRECTORS 董事會報告

SHARE OPTIONS (Continued)

購股權(續)

	Date of grant 授出日期	Number of option shares 購股權數目		Exercise price 行使價 HK\$ 港元	Exercisable period 行使期限 (Note (i)) (附註(i))
		Outstanding at 1 January 2007 於二零零七年一月一日 尚未行使	Exercised during the year 年內已行使		
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	-	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. Yin Jianhua (Note (ii)) 尹建華先生 (附註(ii))	21 November 2004 二零零四年十一月二十一日	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	1,200,000		

Note (i): 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(i): 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。

Note (ii): Mr. Yin Jianhua ("Mr. Yin") passed away on 8 September 2007. According to the rules of the Pre-IPO Share Option Scheme and with the approval from the board of Directors, the options granted to Mr. Yin was transferred to Ms. Shao Wei, estate of Mr. Yin.

附註(ii): 尹建華先生(「尹先生」)於二零零七年九月八日去世。根據首次公開發售前購股權的規定並經由董事會批准，授予尹先生的購股權已轉讓給尹先生的繼承人邵偉女士。

The fair value of all options granted on 21 November 2004 was 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 in November 2004.

由柏力克—舒爾斯定價模式確定於二零零四年十一月二十一日所授出的購股權的公允價值為人民幣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於二零零四年十一月進行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. Tang Daoping, Mr. Gong Zhao and Ms. Zhu Lanfen 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)，湯道平先生、龔照先生及朱蘭芬女士將輪值告退，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.

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.

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 25 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 25 to the accompanying financial statements.

REMUNERATION POLICY

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

獨立非執行董事之獨立性

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

董事於合約中之權益

除本年報所述，概無任何與本集團業務有重大關係且本公司、其附屬公司、本公司控股股東或任何其附屬公司及公司董事擁有重大權益（不論直接或間接）之合約於年終或年內任何時間存在。

董事及五位最高薪之董事／僱員之酬金

有關回顧年度內根據指定基準之董事酬金詳情載於隨附之財務報告附註25。

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25。

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。

REPORT OF THE DIRECTORS 董事會報告

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 25 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25。

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 31 to 34 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31至第34頁。

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

At 31 December 2007, 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:

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

於二零零七年十二月三十一日，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	558,959,173 (L) (Note 2) (附註2)	63.24%
	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	251,716,000 (L) (Note 3) (附註3)	28.48%

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 558,959,173 Shares, as to 395,459,173 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 51.36% 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 251,716,000 Shares, as to 88,216,000 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 558,959,173 股股份中 395,459,173 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 51.36% 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 251,716,000 股股份中 88,216,000 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

So far as the Directors are aware, as at 31 December 2007, 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:

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

就董事所知悉，於二零零七年十二月三十一日，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	Nature of interests 權益性質	Number of Shares held 持有股份數目		Percentage 百分比
			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	395,459,173 (L)	(Note 2) (附註2)	44.74%
Trade Partner Investments Limited	Beneficial owner 實益擁有人	163,500,000 (L)	(Note 3) (附註3)	18.50%
Wisdom Grace Investments Limited	Beneficial owner 實益擁有人	88,216,000 (L)	(Note 4) (附註4)	9.98%
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	395,459,173 (L)	(Note 2) (附註2)	44.74%
Ms. KE Luping 柯綠萍女士	Interest of spouse 配偶權益	563,359,173 (L)	(Note 5) (附註5)	63.74%
Ms. ZHAO Zhiyang 趙志揚女士	Interest of spouse 配偶權益	251,716,000 (L)	(Note 6) (附註6)	28.48%
Mr. Cheah Cheng Hye 謝清海先生	Founder of a discretionary trust 一項全權信託的創立人	57,216,000 (L)	(Note 7) (附註7)	6.47%
Value Partners Limited	Investment manager 投資經理	57,216,000 (L)	(Note 7) (附註7)	6.47%

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 395,459,173 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 51.36% by Mr. Hong Tianzhu, 41.36% by Mr. Zhu Yongxiang, 2.24%, 1.68%, 1.68% and 1.68%, by Mr. Sha Tao, Mr. Tang Daoping, Mr. Gong Zhao, Mr. Hu Zhiping. 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 88,216,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang. Under the SFO, Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Wisdom Grace Investments Limited.
5. Ms. Ke Luping is the spouse of Mr. Hong Tianzhu. Under the SFO, Ms. Ke Luping is taken to be interested in the same number of Shares in which Mr. Hong Tianzhu are interested.
6. Ms. Zhao 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 30 October 2007, these 57,216,000 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 395,459,173 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、龔照先生及胡志平先生分別實益擁有 51.36%、41.36%、2.24%、1.68%、1.68% 及 1.68%) 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 88,216,000 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 於二零零七年十月三十日提交之權益披露報告表，該 57,216,000 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 2007 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	16.3%
– five largest suppliers combined	37.4%
Sales	
– the largest customer	3.3%
– five largest customers combined	12.1%

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，截至二零零七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	16.3%
– 五大供應商合計	37.4%
銷售	
– 最大客戶	3.3%
– 五大客戶合計	12.1%

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

Mr. Hong Tianzhu, an executive Director, has interest in the following textile related businesses (the "Excluded Businesses") through Tin Hong Industrial, a company wholly-owned by him, which are either complementary to or likely to compete, directly or indirectly, with the Group's business in Mainland 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 owned foreign-owned enterprise incorporated in the PRC, the entire equity interest of which is owned by Tin Hong Industrial. Tianhong Printing and Dyeing had been principally engaged in the provision of printing and dyeing services and sale of garment fabrics to garment manufacturers and trading agents prior to the cessation of its commercial operations of its printing and dyeing business since January 2007. Prior to the cessation of its printing and dyeing business, Tianhong Printing and Dyeing sold 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

Prior to completion of the Group's acquisition of 37% interest in Nantong Textile from Tin Hong Industrial on 30 September 2007 (the "Acquisition"), Nantong Textile was owned as to 39% by Tin Hong Industrial. Subsequent to the Acquisition, Nantong Textile is owned as to 2% by Tin Hong Industrial. Nantong Textile is principally engaged in printing, dyeing of fabrics and selling of garment fabrics, linen cotton blended fabrics and polyester cotton blended fabrics. Tin Hong Industrial has no shareholding or management control over Nantong Textile prior to the Acquisition.

董事於競爭業務之權益

執行董事洪天祝先生透過其全資擁有公司天虹實業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」)，該等業務或會與本公司於中國之業務形成互補或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。於二零零七年一月終止其印染商業營運前，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。在終止印染業務前，天虹印染於中國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

在本集團於二零零七年九月三十日完成從天虹實業收購南通紡織37%股權(「收購」)前，南通紡織由天虹實業擁有39%股權。緊隨收購後，南通紡織由天虹實業擁有2%股權。南通紡織主要從事布料印染以及銷售面料、麻棉及滌棉。在收購進行前，天虹實業對南通紡織並無控制股權或管理控制。

REPORT OF THE DIRECTORS 董事會報告

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

(b) Nantong Textile (Continued)

The Group's principal business is the production and sale of yarn and grey fabrics. It was not engaged in printing and dyeing work and did not maintain any printing and dyeing facilities prior to completion of the Acquisition. On that basis, the Directors are of the view that, prior to completion of the Acquisition, both Tianhong Printing and Dyeing and Nantong Textile did not pose any competition to the Group as the principal business of Tianhong Printing and Dyeing and Nantong Textile were principally different from the principal business of the Group. As Tianhong Printing and Dyeing has ceased its commercial operations since January 2007 and Mr. Hong's indirect interest in Nantong Textile was reduced to 2% since September 2007 and therefore ceased to be an associate of Mr. Hong, the Directors are of the opinion that Mr. Hong's interest in Tianhong Printing and Dyeing and Nantong Textile will not have any significant competition to the Group's business operations.

CONNECTED TRANSACTIONS

During the year under review, the following continued connected transactions (the "Transactions") have been entered into by the Group. These Transactions were entered into by the Group on normal commercial terms and were de minimis transactions of the Group according to Rule 14A.33(3) of the Listing Rules, and therefore were exempted from the reporting, announcement and 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 Tin Hong Industrial, a controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director.

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 favorable 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 RMB28,000 (equivalent to HK\$29,000) and therefore did not exceed HK\$1,000,000, being the de minimis threshold under Rule 14A.33 of the Listing Rules.

董事於競爭業務之權益(續)

(b) 南通紡織(續)

在收購完成前，本集團主要從事製造及銷售紗線及坯布之業務，並無從事印染業務，故無印染設施。就此而言，董事認為由於天虹印染及南通紡織在收購完成前之主要業務與本集團之主要業務基本上不同，故該等公司對本集團並無產生任何競爭。由於天虹印染已於二零零七年一月起終止其商業營運，且洪先生自二零零七年九月起於南通紡織之間接權益減至2%，故該公司不再為洪先生之聯營公司，董事認為洪先生於天虹印染及南通紡織之權益將不會對本集團之營運構成任何競爭。

關連交易

於回顧年度，本集團已訂立下列持續關連交易（「該等交易」）。該等交易乃由本集團按正常商業條款訂立，並根據上市規則第14A.33(3)條構成本集團之小額豁免交易，故根據上市規則第14A章獲豁免申報、公佈及取得獨立股東批准之要求。

(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天虹實業（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。

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。本集團於對天虹印染之坯布總銷售額約達人民幣28,000元（相當於29,000港元），故並不超出上市規則第14A.33條所定之1,000,000港元小額豁免上限。

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

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 not less favorable 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 RMB681,000 (equivalent to HK\$702,000) and therefore did not exceed HK\$1,000,000, being the de minimis threshold under Rule 14A.33 of the Listing Rules.

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

Prior to completion of the Acquisition, Nantong Textile was owned as to 39% by Tin Hong Industrial. Tin Hong Industrial is the controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director. Accordingly, Nantong Textile had been an associate of Tin Hong Industrial and Mr. Hong prior to completion of the Acquisition and therefore was a connected person of the Company. Subsequent to completion of the Acquisition, Nantong Textile ceased to be an associate of Tin Hong Industrial and Mr. Hong and the Group's transactions with Nantong Textile ceased to be continuing connected transactions of the Company thereafter.

During the period from 1 January 2007 up to 30 September 2007, when Nantong Textile ceased to be a connected person of the Company, the Group had sold from time to time its grey fabrics to Nantong Textile on normal commercial terms and were no more favorable than those available to independent third party purchasers. The aggregate sales of the Group's grey fabrics to Nantong Textile during the period amounted to approximately RMB954,000 (equivalent to HK\$983,000) and therefore did not exceed HK\$1,000,000, being the de minimis threshold under Rule 14A.33 of the Listing Rules.

關連交易(續)

(b) 本集團向天虹印染採購面料

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。本集團向天虹印染採購之面料總額約達人民幣681,000元(相當於702,000港元)，故並不超出上市規則第14A.33條所定下之1,000,000港元小額豁免上限。

(c) 向南通紡織銷售本集團坯布

在收購完成前，南通紡織由天虹實業擁有39%股權。天虹實業為本公司之控股股東，其全部已發行股本由執行董事洪天祝先生擁有。因此，在收購完成前，南通紡織為天虹實業及洪先生之聯營公司，並為本公司之關連人士。緊隨收購完成後，南通紡織不再為天虹實業及洪先生之聯營公司，而本集團與南通紡織進行之交易亦不再構成本公司之關連交易。

於二零零七年一月一日至二零零七年九月三十日期間(南通紡織不再為本公司之關聯人士)，本集團以正常商業條款不時銷售坯布予南通紡織，而條款並不優於向獨立第三方買家提供之條款。期間本集團銷售予南通紡織之坯布總銷售額約達人民幣954,000元(相當於983,000港元)，故並不超出上市規則第14A.33條所定下之1,000,000港元小額豁免上限。

REPORT OF THE DIRECTORS 董事會報告

CONNECTED TRANSACTIONS (Continued)

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

During the period from 1 January 2007 up to 30 September 2007, when Nantong Textile ceased to be a connected person of the Company, the Group had purchased garment fabrics from Nantong Textile from time to time and on normal commercial terms and were not less favorable than those available to independent third party purchasers. The aggregate purchases of garment fabrics by the Group from Nantong Textile during the period amounted to approximately RMB238,000 (equivalent to HK\$245,000) and therefore did not exceed HK\$1,000,000, being the de minimis threshold under Rule 14A.33 of the Listing Rules.

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable 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 and 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 have been complied with by the Company.

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.

關連交易(續)

(d) 本集團向南通紡織採購面料

於二零零七年一月一日至二零零七年九月三十日期間(南通紡織不再為本公司之關聯人士)，本集團以正常商業條款不時向南通紡織採購面料，而條款並不優於向獨立第三方買家提供之條款。期間本集團向南通紡織採購面料總額約達人民幣238,000元(相當於245,000港元)，故並不超出上市規則第14A.33條所定下之1,000,000港元小額豁免上限。

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，或如缺乏可比較同類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。

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。

REPORT OF THE DIRECTORS 董事會報告

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 2007.

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 2007.

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, namely 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.

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，本公司於截至二零零七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。

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二零零七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。

REPORT OF THE DIRECTORS 董事會報告

AUDITORS

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

On behalf of the Board

Hong Tianzhu
Chairman

Hong Kong, 3 April 2008

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，二零零八年四月三日

INDEPENDENT AUDITOR'S 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

To the shareholders of Texhong Textile Group Limited

(incorporated in 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 58 to 139, which comprise the consolidated and company balance sheets as at 31 December 2007, 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 other person for the contents of this report.

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58至139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二零零七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損益表、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 AUDITOR'S 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 2007 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, 3 April 2008

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地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二零零七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，二零零八年四月三日

CONSOLIDATED BALANCE SHEET

綜合資產負債表

As at 31 December 2007 (All amounts in RMB)
於二零零七年十二月三十一日 (所有金額以人民幣計值)

		Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Non-current assets	非流動資產			
Land use rights	土地使用權	6	104,622	70,519
Property, plant and equipment	物業、廠房及設備	7	1,187,543	824,057
Goodwill	商譽	9	-	888
Investment in an associate	聯營公司權益	10	43,799	-
Deferred income tax assets	遞延所得稅資產	19	3,607	3,879
			1,339,571	899,343
Current assets	流動資產			
Inventories	存貨	11	651,899	450,722
Trade and bills receivables	應收貿易及票據款項	12	364,832	227,452
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	13	78,440	98,099
Pledged bank deposits	已抵押銀行存款	14	10,773	14,397
Cash and cash equivalents	現金及現金等值物	14	199,615	139,887
			1,305,559	930,557
Current liabilities	流動負債			
Trade and bills payables	應付貿易及票據款項	20	467,502	270,549
Accruals and other payables	預提費用及其他應付賬款	21	155,637	171,786
Current income tax liabilities	當期所得稅負債		7,325	1,704
Borrowings	借貸	18	225,253	308,538
			855,717	752,577
Net current assets	流動資產淨值		449,842	177,980
Total assets less current liabilities	總資產減流動負債		1,789,413	1,077,323
Non-current liabilities	非流動負債			
Borrowings	借貸	18	702,584	204,458
Deferred income tax liabilities	遞延所得稅負債	19	11,078	11,216
			713,662	215,674
Net assets	資產淨值		1,075,751	861,649
EQUITY	股東權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備			
Share capital	股本	15	93,990	92,842
Reserves	儲備	17	981,761	768,807
Total equity	股東權益總額		1,075,751	861,649

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 2007 (All amounts in RMB)
於二零零七年十二月三十一日 (所有金額以人民幣計值)

		Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	7	550	790
Interests in subsidiaries	於附屬公司的投資	8	826,962	246,989
			827,512	247,779
Current assets	流動資產			
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	13	717	732
Due from subsidiaries	應收附屬公司款項	8	312,401	243,371
Cash and cash equivalents	現金及現金等值物	14	1,639	525
			314,757	244,628
Current liabilities	流動負債			
Accruals	預提費用	21	17,468	2,768
Due to a subsidiary	應付附屬公司款項	8	2,015	580
			19,483	3,348
Net current assets	流動資產淨值		295,274	241,280
Total assets less current liabilities	總資產減流動負債		1,122,786	489,059
Non-current liabilities	非流動負債			
Borrowings	借貸	18	579,973	—
Net assets	資產淨值		542,813	489,059
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔資本及儲備			
Share capital	股本	15	93,990	92,842
Reserves	儲備	17	448,823	396,217
Total equity	權益總額		542,813	489,059

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 SHEET

綜合損益表

For the year ended 31 December 2007 (All amounts in RMB)
截至二零零七年十二月三十一日止年度 (所有金額以人民幣計值)

		Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Sales	營業額	5,22	3,254,109	2,667,216
Cost of sales	銷售成本	24	(2,819,358)	(2,264,353)
Gross profit	毛利		434,751	402,863
Selling and distribution costs	銷售及分銷開支	24	(75,851)	(64,849)
General and administrative expenses	一般及行政開支	24	(144,390)	(110,817)
Other income	其他收入	23	21,673	17,365
Other gains/(losses) – net	其他收益/(虧損) —淨額	23	43,109	(1,756)
Operating profit	經營溢利		279,292	242,806
Finance income	財務收入	26	3,594	4,431
Finance costs	財務開支	26	(23,457)	(32,443)
Finance costs – net	財務開支 – 淨額	26	(19,863)	(28,012)
Share of profit of an associate	分佔聯營公司溢利	10	3,178	–
Profit before income tax	除所得稅前溢利		262,607	214,794
Income tax expense	所得稅開支	27	(24,830)	(24,258)
Profit for the year, attributable to equity holders of the Company	年內本公司股權持有人應佔溢利		237,777	190,536
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	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)			
– basic	– 基本	30	0.27	0.22
– diluted	– 攤薄	30	0.27	0.22
Dividends	股息	31	62,073	60,949

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 2007 (All amounts in RMB)
截至二零零七年十二月三十一日止年度 (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	Reserves (Note 17) 儲備 (附註17)	Total 總計
			RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Balance at 1 January 2006	於二零零六年 一月一日的結餘		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		–	(59,296)	(59,296)
Dividend relating to 2006	有關二零零六年的股息	31	–	(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		92,842	768,807	861,649
Balance at 1 January 2007, as per above	於二零零七年一月一日 的結餘，如上呈列		92,842	768,807	861,649
Issue of shares upon exercise of share options	行使購股權後發行股份	15	116	686	802
Acquisition of an associate	收購聯營公司	35	1,032	12,278	13,310
Surplus on revaluation of buildings, net of deferred tax	樓宇重估盈餘，已扣除 遞延稅項		–	4,945	4,945
Profit for the year	年度溢利		–	237,777	237,777
Dividend relating to 2006	有關二零零六年的股息	31	–	(35,044)	(35,044)
Currency translation differences	匯兌差額		–	(7,688)	(7,688)
Balance at 31 December 2007	於二零零七年 十二月三十一日的結餘		93,990	981,761	1,075,751

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 2007 (All amounts in RMB)
截至二零零七年十二月三十一日止年度 (所有金額以人民幣計值)

			2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
	Note 附註			
Cash flows from operating activities		來自經營活動的現金流量		
Cash generated from operations	32	經營所產生的現金	190,869	99,886
Interest received		已收利息	3,594	4,431
Interest paid		已付利息	(50,932)	(35,214)
Income tax paid		已付所得稅	(20,823)	(27,765)
Net cash generated from operating activities		經營活動產生現金淨額	122,708	41,338
Cash flows from investing activities		來自投資活動的現金流量		
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	-	3,560
Acquisition of an associate	35	收購聯營公司	(15,000)	-
Capital contribution to an associate	10	於聯營公司注資	(12,311)	-
Purchase of property, plant and equipment		購買物業、廠房及設備	(436,722)	(223,063)
Proceeds from disposal of property, plant and equipment	32	出售物業、廠房及設備所得款項	9,968	1,871
Prepaid operating lease payments for land use rights	6	土地使用權的預付營運租賃款項	(52,178)	(26,336)
Government grant received	6	已收政府補助	16,278	11,020
Net cash used in investing activities		投資活動所耗現金淨額	(489,965)	(232,948)
Cash flows from financing activities		來自融資活動的現金流量		
Proceeds from issuance of shares		發行股份所得款	802	-
Proceeds from borrowings		借貸所得款	1,138,023	603,026
Repayments of borrowings		償還貸款	(680,420)	(429,261)
Repayment of government borrowings		償還政府貸款	-	(11,500)
Dividends paid to Company's equity holders	31	支付股息予本公司股權持有人	(35,044)	(85,201)
Decrease/(Increase) in pledged bank deposits		已抵押銀行存款減少/(增加)	3,624	(5,539)
Net cash generated from financing activities		融資活動所得現金淨額	426,985	71,525
Net increase/(decrease) in cash and cash equivalents		現金及現金等值物增加/(減少)淨額	59,728	(120,085)
Cash and cash equivalents at beginning of the year	14	年初之現金及現金等值物	139,887	259,972
Cash and cash equivalents at end of the year	14	年終之現金及現金等值物	199,615	139,887

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 2007 (All amounts in RMB)
截至二零零七年十二月三十一日止年度 (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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 3 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of Texhong Textile Group Limited 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

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands。

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二零零八年四月三日獲本公司董事會通過可予刊發。

2. 主要會計政策概要

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

天虹紡織集團有限公司之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。除以公平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

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) *Standards, amendment and interpretations effective in 2007*

In 2007, the Group adopted the HKFRS, Hong Kong Accounting Standards ("HKAS") and HK(IFRIC) – Interpretations below, which are effective for accounting periods beginning on or after 1 January 2007 and relevant to its operations. The impacts on the Group's accounting policies are set out below.

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduce quantitative and qualitative disclosures relating to financial risks and credit quality of financial instruments and discussion of capital management strategy.

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) 於二零零七年生效之準則、修訂及詮釋

於二零零七年，本集團已採納下列與其業務有關之香港財務報告準則、香港會計準則(「香港會計準則」)及香港(國際財務報告詮釋委員會)–詮釋，該等準則於二零零七年一月一日或之後會計期間生效，其對本集團會計政策之影響如下。

香港財務報告準則第7號「金融工具：披露」以及香港會計準則第1號「財務報表呈列-資本披露」的補充修訂引入了有關金融工具之財務風險及信貸質量之定量及定性之披露，以及資本管理策略之討論。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Standards, amendment and interpretations effective in 2007 (Continued)

HK(IFRIC)-Int 8, "Scope of HKFRS 2", 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 in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

HK(IFRIC)-Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

HK(IFRIC)-Int 9, "Re-assessment of embedded derivatives".

2. 主要會計政策概要(續)

2.1 編製基準(續)

(a) 於二零零七年生效之準則、修訂及詮釋(續)

香港(國際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」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平值)必須確定其是否屬於香港財務報告準則第2號的範圍內。該準則對本集團的財務報表並無任何影響。

香港(國際財務報告詮釋委員會)10號,「中期財務報告及減值」禁止在中期期間確認成本列賬的商譽、權益工具的投資和財務資產投資的減值虧損,在之後的結算日撥回。該準則對本集團的財務報表並無任何影響。

(b) 於二零零七年生效但與本集團之業務不相關之準則、修訂及詮釋

下列為已頒佈且於二零零七年一月一日或之後會計期間強制執行之詮釋,惟該等詮釋與本集團之業務無關:

香港(國際財務報告詮釋委員會)一詮釋第7號「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」;及

香港(國際財務報告詮釋委員會)一詮釋第9號「重新評估嵌入式衍生工具」。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (c) *Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009 but it is not expected to have any significant impact on the presentation of Group's segment information.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

2. 主要會計政策概要(續)

2.1 編製基準(續)

- (c) 於二零零七年尚未生效且本集團並未提早採納之準則、修訂及現有準則詮釋

下列為已頒佈且於二零零八年一月一日或之後之本集團會計期間或較後期間強制執行之準則、修訂及現有準則詮釋，惟本集團並未提早採納：

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起生效)。香港財務報告準則第8號將取代香港會計準則第14號。新準則規定遵從「管理方法」，據此，分類資料按內部申報採用之相同基準呈列。本集團將於二零零九年一月一日起採納香港財務報告準則第8號，惟預期該準則將不會對本集團分類資料的呈列產生重大影響。

香港會計準則第27號(經修訂)「綜合及個別財務報表」(於二零零九年七月一日或之後開始的年度期間生效)。該準則要求非控股股東權益(即少數股東權益)在綜合財務狀況報表中呈報為權益，獨立於母公司所有者的權益。綜合收入總額必須由母公司所有者及非控股股東權益分佔，即使由此引致非控股股東權益出現結餘赤字。不會引致失去控制權的母公司於附屬公司的所有權權益之變動於權益內入賬。當失去附屬公司的控制權時，前附屬公司的資產及負債以及相關權益部分均終止確認。任何盈虧於損益表確認。任何保留在前附屬公司的投資按其於失去控制權當日的公平值計量。本集團將於二零一零年一月一日起採納香港會計準則第27號(經修訂)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (c) *Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and have not been early adopted by the Group (Continued)*

HKFRS 3 (Revised) “Business Combination” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are “capable of being conducted” rather than “are conducted and managed”. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRS. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

2. 主要會計政策概要(續)

2.1 編製基準(續)

- (c) 於二零零七年尚未生效且本集團並未提早採納之準則、修訂及現有準則詮釋(續)

香港財務報告準則第3號(經修訂)——「業務合併」(適用於收購日期為於二零零九年七月一日修訂或之後開始之首個年度報告期間期初或之後的業務合併)。由於純粹以合約進行的合併或互控實體的合併均屬本準則範圍，而業務的定義已略作修訂，該準則可能將更多交易納入收購會計範圍。該修訂現指該等元素「可予進行」而非「予以進行及管理」。該準則規定代價(包括或然代價)、各項可予識別資產及負債須按其收購日期之公平值計量，惟租賃及保險合約、重新收購權利、彌償資產及須根據其它香港財務報告準則計量之若干資產及負債則除外，當中包括所得稅、僱員福利、股份支付及持作銷售的非流動資產及已終止業務。被收購公司之任何非控股股東權益按公平值或按該非控股股東權益佔被收購公司之可予識別資產淨值之比例計量。本集團將於二零一零年一月一日起應用香港財務報告準則第3號(經修訂)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(d) *Standards, amendments and interpretations to existing standards that are not yet effective in 2007 and not relevant to the Group*

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and treasury share transactions", effective from 1 March 2007.
- HK(IFRIC)-Int 12, "Service concession arrangements" (effective from 1 January 2008).
- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective from 1 July 2008).
- HK(IFRIC)-Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).
- HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009).
- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009).

2. 主要會計政策概要(續)

2.1 編製基準(續)

(d) 於二零零七年尚未生效且與本集團無關之準則、修訂及現有準則詮釋

下列對已頒佈準則之詮釋必須於二零零七年一月一日或之後會計期間採用，但與本集團無關

- 香港(國際財務報告詮釋委員會) – 詮釋11號，「香港財務報告準則第2號 – 集團及庫存股份交易」，自二零零七年三月一日起生效。
- 香港(國際財務報告詮釋委員會) – 詮釋12號，「服務專營權安排」(於二零零八年一月一日起生效)。
- 香港(國際財務報告詮釋委員會) – 詮釋13號，「客戶獎勵計劃」(自二零零八年七月一日起生效)。
- 香港(國際財務報告詮釋委員會) – 詮釋14號，「香港會計準則第19號 – 界定利益資產之限制、最低資金要求及其相互關係」(自二零零八年一月一日起生效)。
- 香港會計準則第32號及香港會計準則第1號(修訂)，「可認沽金融工具及清盤產生之義務」(自二零零九年一月一日起生效)。
- 香港財務報告準則第2號(修訂)，「以股份支付款項歸屬條件及註銷」(自二零零九年一月一日起生效)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

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.

(a) Subsidiaries

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.

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。

(a) 附屬公司

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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.

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.5).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. 主要會計政策概要(續)

2.2 綜合(續)

(a) 附屬公司(續)

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。

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。

(b) 聯營公司

聯營公司指所有本集團對其有重大影響力而無控制權的實體，通常附帶有20%至50%投票權的股權。聯營公司投資以權益會計法入賬，初始以成本確認。本集團於聯營公司之投資包括收購時已識別的商譽(扣除任何累計減值虧損)(附註2.5)。

本集團應佔收購後聯營公司的溢利或虧損於損益表內確認，而應佔收購後儲備的變動則於儲備賬內確認。投資賬面值會根據累計之收購後儲備變動而作出調整。當本集團分佔聯營公司虧損等於或超過其佔聯營公司之權益(包括任何其他無抵押應收款項)時，本集團不再確認進一步之虧損，除非本集團代聯營公司承擔負債或支付款項。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

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.

2. 主要會計政策概要(續)

2.2 綜合(續)

(b) 聯營公司(續)

本集團與其聯營公司之間交易的未變現收益按集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未變現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

聯營公司的已攤薄收益及虧損於綜合損益表中確認。

2.3 分類報告

業務分類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類。地區分類乃在某一特定經濟環境下從事提供產品或服務，而該分類之風險及回報有別於在其他經濟環境經營之分類。

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(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.

(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.

2. 主要會計政策概要(續)

2.4 外幣換算(續)

(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，均於損益表內確認。

(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；
- 每份損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損益表內確認為出售收益或虧損的一部分。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

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 or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. 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 comprise mainly 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.

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或聯營公司的淨可識辨資產公平值的數額。收購附屬公司產生的商譽列入無形資產。收購聯營公司產生的商譽列入於聯營公司投資，並作為整體結餘的部份進行減值測試。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估值扣減隨後發生之折舊額以公平值列示。重估當日之累計折舊額需先沖銷資產之賬面毛值，沖減後之淨額則重列至該資產之重估值。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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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.

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 property, plant and equipment 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.

2. 主要會計政策概要(續)

2.6 物業、廠房及設備(續)

只有在與項目相關的未來經濟效益有可能流入本集團，並能夠可靠地計量項目成本的情況下，本集團才會將其後成本計入為資產賬面值之一部分或確認為獨立資產項目(如適用)。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損益表扣除。

樓宇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；餘下之減值額則於損益表內扣除。每年，根據於損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」撥轉至保留盈利。

物業、廠房及設備的折舊以直線法計算，以分配成本值或重估值至其於估計可用年限之剩餘價值：

– 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，資產的賬面值即時撇銷至其可收回金額。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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 revaluation reserve 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.

2.7 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, associates and non-financial assets

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

2. 主要會計政策概要(續)

2.6 物業、廠房及設備(續)

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，並於損益表內確認。重估資產售出後，重估儲備內的金額轉移至保留盈利。

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，包括所產生建築開支、機器成本、資本化利息及建築與安裝期間其他直接資本化成本，而扣減累計減值虧損(如有)。於建築及安裝完成及投入使用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。

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 於附屬公司及聯營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。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平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，資產按可單獨分辦的最小現金流量(現金－產生單位)予以分類。除商譽外減值的非財務資產將於各申請日期檢討撥回減值的可能性。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.11 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. 主要會計政策概要(續)

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，政府補助以公平值確認入賬。

與資產有關之政府補助乃於扣減補助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。

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平值確認，其後按實際利率法攤銷成本減減值準備計算。應收貿易款項及其他應收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，而虧損金額在損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，則計入損益表內的一般及行政開支。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.15 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 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. 主要會計政策概要(續)

2.12 現金及現金等值物

現金及現金等值物包括手頭現金、銀行通知存款、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平值確認，其後以實際利率法按攤銷成本計量。

2.15 借貸

借貸最初乃按公平值（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損益表內確認。

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

2.16 即期及遞延所得稅

即期所得稅費用根據於結算日本公司、其附屬公司及聯營公司經營並獲得應課稅收入所在的國家已經頒布或已經實質頒布的稅法計算。管理層定期評估適用稅法規定之情況下的納稅申報情況，並且就應付稅務機關的金額作出適當撥備。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

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, associates, 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.

2.17 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.

2. 主要會計政策概要(續)

2.16 即期及遞延所得稅(續)

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)而於進行交易之時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實際上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。

遞延所得稅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。

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

2.17 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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(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.

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. 主要會計政策概要(續)

2.17 僱員福利(續)

(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，並於損益表內確認修改原來估計數字(如有)的影響以及對權益的相應調整。

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

(d) 花紅計劃

本集團於合約規定或由過往做法產生推定責任時就花紅確認撥備。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

Provisions for legal claims 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.

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.

2. 主要會計政策概要(續)

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，就法律索償確認撥備。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就出售的貨品及服務已收或應收的代價的公平值。收益及以扣除增值稅、退回、回扣和折扣，以及抵銷集團內部銷售後的金額列示。

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

- (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.

2.20 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. 主要會計政策概要(續)

2.19 收益確認(續)

- (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將可能流入，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。

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.24 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.

2. 主要會計政策概要(續)

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發生而確認。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予確認。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，則會確認撥備。

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原條款或修訂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損益表確認。

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)在租期內以直線基準自損益表扣除。

2.24 股息分派

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in the Mainland China. Most of the Group's transactions, assets and liabilities are dominated in RMB, United States dollars ("USD") and Vietnam Dong ("VND"). 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. As the Group management considers the possibility of the depreciation of RMB in the coming year is low, management does not anticipate there will be any significant foreign exchange risk associated with the Group's borrowing. As a result, the Group did not use any financial instruments to hedge its foreign exchange risk arising from the Group's borrowings.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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、利率風險、信貸風險及流動資金風險。本集團的整體風險管理政策著重金融市場的不可預計因素，並尋求將可能對本集團財務業績產生負面影響的因素降至最低。

(a) 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及越南盾計值。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。由於管理層認為在未來一年人民幣出現貶值的可能性不大，管理層預期將不會出現有關本集團借貸的重大外匯風險。因此，本集團並無動用任何財務工具以減低集團借貸產生的外匯風險。

本集團投資於若干海外業務，該等業務的資產淨值面對外幣兌換風險。本集團海外業務的資產淨值產生的貨幣風險主要透過以相關外幣列示的借貸所管理。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

(Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2007, if RMB had weakened/strengthened by 4% against the USD with all other variable held constant, post-tax profit for the year would have been RMB22,087,000 (2006: RMB8,556,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated cash and cash equivalents, trade and bills receivables, trade and bills payables and borrowings.

- (b) Cash flow and fair value interest rate risk**
Except for pledged bank deposits (Note 14) as at 31 December 2007 of RMB10,773,000 (2006: RMB14,397,000) which was interest bearing at an effective interest rate of 0.7% (2006: 0.7%), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the change in interest rates on interest bearing assets.

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates in RMB expose the Group to fair value interest-rate risk. Group policy is to maintain approximately 20% of its borrowings in fixed rate instruments. During 2007 and 2006, the Group's borrowings at variable rate were denominated in USD.

As at 31 December 2007, if interest rates on USD-denominated borrowings had been 26 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB1,902,000 (2006: RMB1,558,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3. 財務風險分析(續)

3.1 財務風險因素(續)

(a) 外匯風險(續)

於二零零七年十二月三十一日，倘人民幣兌美元的匯率貶值／升值4%，而所有其他可變因素維持不變，則年內稅後溢利將會減少／增加人民幣22,087,000元(二零零六年：人民幣8,556,000元)，主要由於匯兌以美元列示的現金及現金等值物、應收貿易及票據款項、應付貿易及票據款項以及借貸產生的外匯收益／虧損。

- (b) 現金流量及公平值利率風險**
於二零零七年十二月三十一日，除人民幣10,733,000元(二零零六年：人民幣14,397,000元)的已抵押銀行存款(按有效息率0.7%(二零零六年：0.7%)計息)(附註14)外，本集團並無其他重大計息資產。大部份本集團的收入及經營現金流均獨立於市場利率變動。管理層預期計息資產的利率變動將不會產生重大影響。

本集團的利率風險來自借貸。按浮息計息的借貸令本集團面對現金流量利率風險，而以人民幣列示並按定息計息的借貸則令本集團面對公平值利率風險。本集團的政策為將約20%借貸維持為定息工具。於二零零七年及二零零六年，本集團按浮息計息的借貸均以美元列示。

於二零零七年十二月三十一日，倘以美元列示的借貸利率上升／下跌26個基點，而所有其他可變因素維持不變，年內稅後溢利將減少／增加人民幣1,902,000元(二零零六年：人民幣1,558,000元)，主要由於浮息借貸的利息開支增加／減少。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

(Continued)

3.1 Financial risk factors *(Continued)*

(b) Cash flow and fair value interest rate risk
(Continued)

Management does not anticipate significant impact resulted from the changes in interest rates on borrowings and the Group has not used any interest-rate swap to manage its interest rate risk.

(c) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and bills receivables and prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies that limit the amount of credit exposure to any financial institution.

As at 31 December 2007 and 2006, all the bank deposits were deposited in the highly quality financial institutions and without significant credit risk.

For trade and bills receivables and prepayments, deposits and other receivables, the Group has no significant concentration of credit risk. The Group also performs periodic credit evaluation of its customers and believes that adequate provision for doubtful debts has been made in the consolidated financial statements. The Group also has policies in place to ensure that services are made to customers with an appropriate credit history.

(d) Liquidity risk

Prudent liquidity risk management includes 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. Details of the undrawn borrowing facilities available to the Group are disclosed in Note 18 to the financial statements.

3. 財務風險分析 *(續)*

3.1 財務風險因素 *(續)*

(b) 現金流量及公平值利率風險
(續)

管理層預期借貸的利率變動將不會產生重大影響，而本集團亦無以利率掉期管理其利率風險。

(c) 信貸風險

本集團並無重大集中信貸風險。已抵押銀行存款、現金及現金等值物、應收貿易及票據款項以及預付款項、按金及其他應收款項的賬面值指本集團於相關財務資產面對的最大信貸風險。本集團已就限制授予任何財務機構的信貸金額風險制訂政策。

於二零零七年及二零零六年十二月三十一日，所有銀行存款均存放於信譽良好的財務機構，且並無重大信貸風險。

就貿易及票據應收款項以及預付款項、按金及其他應收款項而言，本集團並無任何重大集中信貸風險。本集團亦定期進行客戶信貸評估，並相信綜合財務報表已就呆賬作出足夠撥備。本集團亦制訂政策以確保能為良好信貸記錄的客戶提供服務。

(d) 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。有關本集團的未動用借貸融資詳情於財務報表附註18中披露。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

(Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

本集團

		Less than 1 year 少於一年	Between 1 and 2 years 一年至兩年	Between 2 and 5 years 兩年至五年
Group	本集團			
At 31 December 2007	於二零零七年 十二月三十一日			
Borrowings	借貸	225,253	179,292	523,292
Interests payments on borrowings (i)	借貸應付利息(i)	52,644	48,108	63,290
Trade and bills payables	應付貿易及票據款項	467,502	-	-
Other payables and accruals	其他應付款項及 應計費用	155,637	-	-
		901,036	227,400	586,582
At 31 December 2006	於二零零六年 十二月三十一日			
Borrowings	借貸	308,538	6,560	197,898
Interests payments on borrowings (i)	借貸應付利息(i)	18,295	4,647	13,311
Trade and bills payables	應付貿易及票據款項	270,549	-	-
Other payables and accruals	其他應付款項及 應計費用	171,786	-	-
		769,168	11,207	211,209
Company	本公司			
At 31 December 2007	於二零零七年 十二月三十一日			
Borrowings	借貸	-	132,714	447,259
Interests payments on borrowings (i)	借貸應付利息(i)	38,961	38,961	44,566
Other payables and accruals	其他應付款項及 應計費用	19,483	-	-
		58,444	171,675	491,825
At 31 December 2006	於二零零六年 十二月三十一日			
Other payables and accruals	其他應付款項及 應計費用	3,348	-	-

3. 財務風險分析(續)

3.1 財務風險因素(續)

(d) 流動資金風險(續)

下表刊載本集團及本公司的財務負債分析，此乃按相關到期組別並根據由結算日至合約期日剩餘期間進行分析。表內披露的金額為合約性未貼現的現金流量。由於貼現的影響不大，故12個月內到期的結餘相等於其賬面值。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

(Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2006 and 2007 without taking account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2006 and 2007 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

3. 財務風險分析(續)

3.1 財務風險因素(續)

(d) 流動資金風險(續)

- (i) 借貸利息乃根據於二零零六年及二零零七年十二月三十一日持有的借貸計算(並未計及日後發行)。浮息借貸的利息乃分別按於二零零六年及二零零七年十二月三十一日的現行利率估計得出。

3.2 資本風險管理

本集團管理資金的目標為保障本集團持續經營的能力，為股東帶來回報及為其他權益持有人帶來利益，並維持理想資金結構以減少資本開支。

為維持或調整資本結構，本集團或會調整向股東派付股息金額，向股東退還資金或發行新股份以減低債務。

與業內其他公司一樣，本集團利用資產負債比率監察其資本。此比率以負債淨額除以資本總額計算得出。債務淨額為借貸總額(包括綜合資產負債表所列的即期及非即期貸款)減去現金及現金等值物。資本總額以「權益」(如綜合資產負債表所列)加債務淨額計算得出。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

3. FINANCIAL RISK MANAGEMENT

(Continued)

3.2 Capital risk management (Continued)

The Group's strategy is to maintain a gearing ratio within 30% to 50%. The gearing ratios at 31 December 2007 and 2006 were as follows:

		2007	2006
		二零零七年	二零零六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Total borrowings (Note 18)	借貸總額(附註18)	927,837	512,996
Less: Pledged bank deposits and cash and cash equivalents (Note 14)	減：已抵押銀行存款及現金及現金等值物(附註14)	(210,388)	(154,284)
Net debt	債務淨額	717,449	358,712
Total equity	權益總額	1,075,751	861,649
Total capital	資本總額	1,793,200	1,220,361
Gearing ratio	資產負債比率	40%	29%

The increase in gearing ratio during 2007 resulted from the increase in borrowings and the borrowings were used for the business expansion in Vietnam.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of 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.

The Group takes reference to professional valuations over the fair value of buildings and debentures and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

3. 財務風險分析(續)

3.2 資本風險管理(續)

本集團的策略為將資產負債比率維持30%至50%內。於二零零七年及二零零六年十二月三十一日的資產負債比率如下：

		2007	2006
		二零零七年	二零零六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Total borrowings (Note 18)	借貸總額(附註18)	927,837	512,996
Less: Pledged bank deposits and cash and cash equivalents (Note 14)	減：已抵押銀行存款及現金及現金等值物(附註14)	(210,388)	(154,284)
Net debt	債務淨額	717,449	358,712
Total equity	權益總額	1,075,751	861,649
Total capital	資本總額	1,793,200	1,220,361
Gearing ratio	資產負債比率	40%	29%

於二零零七年資產負債比率增加主要由於越南業務擴張而導致的借貸有所增加。

3.3 公平值估計

應收貿易款項及應付款項的賬面值減去減值撥備為其公平值的合理估計。就披露事項而言，財務負債的公平值估計乃按本集團的相類財務工具的現有市場利率貼現未來合約現金流量而估計得出。

本集團已參考有關樓宇及債務公平值的專業估值，並利用各種方法及根據各結算日的目前市況作出估計。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

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 sever 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. 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 物業、廠房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物業、廠房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物業、廠房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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

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. 重大會計估計及判斷(續)

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。

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，則可能有必要於損益表中作減值支出。

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。管理層將於各結算日重新評估該等估計。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

4.5 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

4. 重大會計估計及判斷(續)

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。此評核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核撥備。

4.5 所得稅

本集團須於若干司法管轄區繳納所得稅。在釐定所得稅撥備時，需要作出重大判斷。在正常業務過程中，有許多交易和計算所涉及的最終稅務釐定都是不確定的。本集團根據估計附加稅是否將到期而確認預期發出的審核稅負債。倘該等事項的最終稅務後果與最初記錄金額不同，差額將影響作出此等釐定期間的所得稅及遞延所得稅撥備。

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

5. SEGMENTAL INFORMATION

(a) Primary reporting – business segments

As at 31 December 2007, the Group operated in one business segment – manufacturing and sale of yarn, grey fabrics and dyed fabrics. Accordingly, no analysis of the business segment information is presented.

(b) Secondary reporting format – geographical segments

The Group operates in two main geographical areas, Mainland China and Vietnam.

The Group's sales is generated mainly within Mainland China and Vietnam.

5. 分類資料

(a) 主要報告形式 – 業務分類

於二零零七年十二月三十一日，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。因此，並無呈列業務分類資料分析。

(b) 次要報告形式 – 地域分類

本集團主要在中國大陸及越南兩個地域經營。

本集團的銷售額主要來自中國大陸及越南。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Sales	銷售額		
Mainland China	中國大陸	3,254,074	2,702,776
Vietnam	越南	45,185	–
Other countries	其他國家	371,947	93,115
		3,671,206	2,795,891
Inter-segment sales	地域之間銷售	(417,097)	(128,675)
		3,254,109	2,667,216

Sales is allocated based on the country in which the customer is located.

銷售額乃根據客戶所在之國家而分配。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Segment results	分類業績		
Mainland China	中國大陸	296,526	242,734
Vietnam	越南	(3,943)	(1,743)
Other countries	其他國家	3,527	4,806
Unallocated income less expense	未經分配收入減開支	(16,818)	(2,991)
		279,292	242,806
Operating profit	經營溢利	279,292	242,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

5. SEGMENTAL INFORMATION (Continued)

(b) Secondary reporting format – geographical segments (Continued)

Segment results is allocated based on where the operating profits arise.

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Total assets	總資產值		
Mainland China	中國大陸	2,082,873	1,689,803
Vietnam	越南	459,927	131,010
Other countries	其他國家	27,369	6,840
Unallocated assets	未經分配資產	74,961	2,247
		2,645,130	1,829,900

Total assets are allocated based on where the assets are located.

5. 分類資料(續)

(b) 次要報告形式 – 地域分類(續)

分類業績乃根據產生經營溢利之地方而分配。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Total assets	總資產值		
Mainland China	中國大陸	2,082,873	1,689,803
Vietnam	越南	459,927	131,010
Other countries	其他國家	27,369	6,840
Unallocated assets	未經分配資產	74,961	2,247
		2,645,130	1,829,900

總資產值乃根據資產所在之地方而分配。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Capital expenditure	資本開支		
Mainland China	中國大陸	193,134	221,764
Vietnam	越南	309,057	11,445
		502,191	233,209

Capital expenditure is allocated based on where the assets are located.

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Capital expenditure	資本開支		
Mainland China	中國大陸	193,134	221,764
Vietnam	越南	309,057	11,445
		502,191	233,209

資本開支乃根據資產所在之地方而分配。

6. LAND USE RIGHTS – GROUP

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

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Leases of between 10 to 50 years	10至50年的租賃		
In Mainland China	於中國大陸	83,812	70,519
Outside Mainland China	於中國大陸以外地區	20,810	–
		104,622	70,519

6. 土地使用權 – 本集團

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：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

6. LAND USE RIGHTS – GROUP (Continued)

Land use rights with a net book amount of approximately RMB4,704,000 (2006: RMB32,245,000) was pledged as collateral of the Group's bank borrowings (Note 18).

6. 土地使用權—本集團(續)

賬面淨值約人民幣4,704,000元(二零零六年：人民幣32,245,000元)的土地使用權乃抵押作本集團銀行借貸的抵押品(附註18)。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Opening	年初	70,519	56,098
Additions	添置	52,178	26,336
Government grants received	已收政府補助	(16,278)	(11,020)
Amortisation of prepaid operating lease payment (Note 24)	預付營運租賃款項的攤銷(附註24)	(1,070)	(895)
Exchange difference	匯兌差額	(727)	—
		104,622	70,519

Amortisation expense has been included in general and administrative expenses.

As at 31 December 2007, land use rights amounting to RMB15,640,000 (2006: RMB5,421,000) consisted of cost of RMB64,827,000 (2006: RMB38,330,000), less related government grant of RMB49,187,000 (2006: RMB32,909,000) which was deducted from the acquisition cost.

攤銷開支已計入一般及行政開支。

於二零零七年十二月三十一日，土地使用權價值為人民幣15,640,000元(二零零六年：人民幣5,421,000元)，為成本人民幣64,827,000元(二零零六年：人民幣38,330,000元)減去從收購成本中扣減的相關政府補助人民幣49,187,000元(二零零六年：人民幣32,909,000元)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

7. PROPERTY, PLANT AND EQUIPMENT 7. 物業、廠房及設備

Group 本集團		Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Con- struction in-progress	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2006	於二零零六年 一月一日						
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
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	年初賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315
Acquisition of a subsidiary	收購附屬公司	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 32)	出售(附註32)	(1)	(1,593)	-	(1,126)	-	(2,720)
Depreciation (Note 24)	折舊(附註24)	(7,483)	(46,417)	(1,261)	(1,614)	-	(56,775)
Closing net book amount	年終賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057
At 31 December 2006	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
Year ended 31 December 2007	截至二零零七年 十二月三十一日 止年度						
Opening net book amount	年初賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057
Additions	添置	2,894	33,147	3,055	935	409,982	450,013
Transfers	轉讓	89,685	197,116	-	-	(286,801)	-
Revaluation (Note 17)	重估(附註17)	6,693	-	-	-	-	6,693
Disposals (Note 32)	出售(附註32)	(1,744)	(8,472)	(64)	-	-	(10,280)
Depreciation (Note 24)	折舊(附註24)	(8,726)	(60,369)	(2,332)	(1,112)	-	(72,539)
Exchange difference	匯兌差額	(1,725)	(5,228)	(26)	(18)	(3,404)	(10,401)
Closing net book amount	年終賬面淨值	291,793	696,648	6,679	7,644	184,779	1,187,543
At 31 December 2007	於二零零七年 十二月三十一日						
Cost or valuation	成本或估值	315,421	888,054	11,749	11,409	184,779	1,411,412
Accumulated depreciation	累計折舊	(23,628)	(191,406)	(5,070)	(3,765)	-	(223,869)
Net book amount	賬面淨值	291,793	696,648	6,679	7,644	184,779	1,187,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

7. PROPERTY, PLANT AND EQUIPMENT
(Continued)

Buildings with net book amount of RMB291,793,000 (2006: RMB83,278,000) were stated at open market value at 31 December 2007, 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 of RMB1,748,000, was credited to revaluation reserve in equity (Note 17).

Depreciation expense of RMB65,526,000 (2006: RMB48,981,000) has been charged in cost of sales, RMB27,000 (2006: RMB825,000) in selling and distribution costs and RMB6,986,000 (2006: RMB6,969,000) in general and administrative expenses.

Lease rental expenses amounting to RMB8,634,000 (2006: RMB3,960,000) relating to the lease of buildings and machinery are included in the cost of sales in the consolidated income statement (Note 24).

During the year ended 31 December 2007, borrowing costs of RMB2,524,000 (2006: RMB1,784,000) have been capitalised as part of property, plant and equipment, which represented interest expense of RMB2,524,000 (2006: RMB1,784,000) at an average capitalisation rate of 6.4% (2006: 6.9%) (Note 26).

As at 31 December 2007, property, plant and equipment of approximately RMB46,007,000 (2006: RMB17,814,000) were pledged as collateral of the Group's short-term bank borrowings (Note 18).

7. 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291,793,000元(二零零六年：人民幣83,278,000元)的樓宇以於二零零七年十二月三十一日的估值列賬。重估盈餘扣除適用的遞延所得稅負債人民幣1,748,000元，計入股本內的重估儲備(附註17)。

人民幣65,526,000元(二零零六年：人民幣48,981,000元)的折舊開支已於銷售成本中支銷，人民幣27,000元(二零零六年：人民幣825,000元)的折舊開支已於銷售及分銷開支及人民幣6,986,000元(二零零六年：人民幣6,969,000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8,634,000元(二零零六年：人民幣3,960,000元)包括在綜合損益表的銷售成本內(附註24)。

於截至二零零七年十二月三十一日止年度，借貸成本人民幣2,524,000元(二零零六年：人民幣1,784,000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6.4%(二零零六年：6.9%)(附註26)計算的利息開支人民幣2,524,000元(二零零六年：人民幣1,784,000元)。

於二零零七年十二月三十一日的物業、廠房及設備約人民幣46,007,000元(二零零六年：人民幣17,814,000元)抵押為本集團短期銀行貸款的抵押品(附註18)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

7. PROPERTY, PLANT AND EQUIPMENT **7. 物業、廠房及設備(續)**
(Continued)

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

倘樓宇以歷史成本法列賬，金額將為如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Cost	成本	254,629	177,622
Accumulated depreciation	累計折舊	(18,547)	(13,402)
Net book amount	賬面淨值	236,082	164,220

The analysis of the cost or valuation at 31 December 2007 of the above assets is as follows:

以上資產於二零零七年十二月三十一日的成本或估值分析為如下：

		Buildings 樓宇 RMB'000 人民幣千元	Machinery and equipment 機器及設備 RMB'000 人民幣千元	Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Con- struction in-progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 31 December 2007	於二零零七年 十二月三十一日						
At cost	按成本	-	888,054	11,749	11,409	184,779	1,095,991
At valuation – 31 December 2007	按估值 – 於二零零七年 十二月三十一日	315,421	-	-	-	-	315,421
		315,421	888,054	11,749	11,409	184,779	1,411,412

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

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：

		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 – 30 September 2004	按估值 – 於二零零四年 九月三十日	100,347	-	-	-	-	100,347
		219,793	679,067	8,797	10,751	65,002	983,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

7. PROPERTY, PLANT AND EQUIPMENT 7. 物業、廠房及設備(續)

(Continued)

Company

本公司

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

At 1 January 2006	於二零零六年一月一日	
Cost	成本	569
Accumulated depreciation	累計折舊	(108)
Net book amount	賬面淨值	461
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	年初賬面淨值	461
Additions	添置	637
Depreciation	折舊	(308)
Net book amount	賬面淨值	790
At 31 December 2006	於二零零六年十二月三十一日	
Cost	成本	1,206
Accumulated depreciation	累計折舊	(416)
Net book amount	賬面淨值	790
Year ended 31 December 2007	截至二零零七年十二月三十一日止年度	
Opening net book amount	年初賬面淨值	790
Additions	添置	20
Disposal	出售	(64)
Depreciation	折舊	(196)
Net book amount	賬面淨值	550
At 31 December 2007	於二零零七年十二月三十一日	
Cost	成本	1,149
Accumulated depreciation	累計折舊	(599)
Net book amount	賬面淨值	550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

8. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY 8. 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	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Unlisted shares, at cost	按成本投資非上市股份	246,989	246,989
Due from subsidiaries – non-current portion (Note(a))	應收附屬公司款項 －非流動部份 (附註(a))	579,973	–
		826,962	246,989
Due from subsidiaries – current portion (Note(b))	應收附屬公司款項 －流動部份(附註(b))	312,401	243,371
Due to a subsidiary (Note (b))	應付附屬公司款項 (附註(b))	2,015	580

Notes:

- (a) The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayments.
- (b) The amounts due from/to subsidiaries are unsecured, non-interest bearing and are repayable within one year.

附註：

- (a) 應收附屬公司款項為無抵押、免息且無固定還款年期。
- (b) 應收／應付附屬公司款項為無抵押、免息且須予一年內償還。

Particulars of the principal subsidiaries of the Company are set out in Note 37.

本集團主要附屬公司詳情載於附註37。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

9. GOODWILL – GROUP

9. 商譽—本集團

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Carrying value as at 1 January	於一月一日賬面值	888	—
Additions	添置	—	888
Reversals (Note)	撥回(附註)	(888)	—
Carrying value as at 31 December	於十二月三十一日 賬面值	—	888

Note: In 2006, the Group acquired the entire interest of Yizheng Chemical Fiber Changzhou Daming Company and consequently recorded a liability of RMB98,578,000 payable to Yihua Group Company, the seller, based on the accounting recorded of Yizheng Chemical Fiber Changzhou Daming Company. In July 2007, the Group agreed with Yihua Group Company that the aforementioned amount payable to Yihua Group Company should be RMB58,796,000 (a reduction of RMB39,782,000). Accordingly, the Group reduced the amount of goodwill recognised by RMB888,000 and recorded the excess amount of the fair value of net assets acquired of RMB38,894,000 as other gain during the year ended 31 December 2007.

附註：於二零零六年，本集團收購儀征化纖常州大明公司的全部權益，其後根據儀征化纖常州大明公司的會計記錄，錄得應付儀化集團公司人民幣98,578,000元的負債。於二零零七年七月，本集團與儀化集團公司協議上述應付儀化集團公司金額應為人民幣58,796,000元(減少人民幣39,782,000元)。因此，截至二零零七年十二月三十一日止年度，本集團已確認商譽金額減少人民幣888,000元，而錄得的所收購資產淨值公平值人民幣38,894,000元的多出金額則確認為其他收益。

10. INVESTMENT IN AN ASSOCIATE

10. 於聯營公司投資

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Share of net assets of unlisted associate (Note (a))	分佔未上市聯營公司 資產淨值(附註(a))	43,608	—
Goodwill (Note (b))	商譽(附註(b))	191	—
		43,799	—

(a) Movement of share of net asset attributable to the Group for the year:

(a) 年內本集團應佔資產淨值變動如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Carrying value as at 1 January	於一月一日賬面值	—	—
Acquisition (Note 35)	收購(附註35)	28,119	—
Capital contribution	注資	12,311	—
Share of profit	分佔溢利	3,178	—
Carrying value as at 31 December	於十二月三十一日 賬面價值	43,608	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

10. INVESTMENT IN AN ASSOCIATE

(Continued)

(b) Movement of goodwill during the year:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Carrying value as at 1 January	於一月一日賬面值	-	-
Acquisition (Note 35)	收購(附註35)	191	-
Carrying value as at 31 December	於十二月三十一日賬面值	191	-

Impairment assessment of goodwill

Goodwill is attributable to Nantong Textile Group Co., Ltd., 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 Nantong Textile Group Co., Ltd..

(c) Particulars of the associate held by the Group are as follows:

Name of the associate 聯營公司名稱	Place of incorporation 註冊成立地點	Issued share capital 已發行股本	Proportion of issued capital held by the Group 本集團持有的已發行股本比率	Principal activities 主要業務
		RMB'000 人民幣千元		
Nantong Textile Group Co., Ltd. 南通紡織控股集團紡織染有限公司	Mainland China 中國大陸	95,385	37%	Manufacturing and sales of top-grade textile knitting products and garments 製造及銷售高級紡織產品及成衣

10. 於聯營公司投資(續)

(b) 年內商譽變動如下：

商譽的減值評估

商譽乃來自南通紡織控股集團紡織染有限公司，該公司視作為獨立現金產生單位(「現金產生單位」)。商譽的可收回金額乃根據使用價值計算方法(採用以管理層批准的三年財政預算為基準作出的現金流量預測)釐定。管理層根據過往業績及其對市場發展的預測而作出財務預算。使用價值計算方法所用的稅前貼現率約為8%，該貼現率反映與南通紡織控股集團紡織染有限公司有關的特定風險。

(c) 本集團持有的聯營公司詳細資料如下：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

10. INVESTMENT IN AN ASSOCIATE

(Continued)

(d) The Group's share of revenue, profit for the year, assets and liabilities of associate which are included in the consolidated income statement and balance sheet using equity method are as follows:

10. 於聯營公司投資(續)

(d) 以權益法列入綜合損益表及資產負債表的本集團分佔收益、年度溢利以及聯營公司資產及負債的資料如下：

		2007 二零零七年 RMB'000 人民幣千元
Revenue	收益	38,996
Profit for the year	年度溢利	3,178
Non-current assets	非流動資產	101,718
Current assets	流動資產	48,150
Current liabilities	流動負債	(49,583)
Non-current liabilities	非流動負債	(56,677)
		43,608

11. INVENTORIES – GROUP

11. 存貨－本集團

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Raw materials	原材料	419,218	286,623
Work-in-progress	在製品	54,088	59,568
Finished goods	製成品	178,593	104,531
		651,899	450,722

The cost of inventories recognised as expense and included in cost of sales amounted to RMB2,819,358,000 (2006: RMB2,264,353,000).

存貨成本人民幣2,819,358,000元(二零零六年：人民幣2,264,353,000元)確認為開支並包括在銷售成本內。

The Group reversed an inventory provision of RMB3,781,000 in 2007 (2006: additional provision of RMB2,197,000). The amount reversed has been included in general and administrative expense.

於二零零七年，本集團撥回人民幣3,781,000元(二零零六年：額外撥備人民幣2,197,000元)的存貨撥備。撥回金額已列入一般及行政開支。

As at 31 December 2007, there were floating charges over the inventories of RMB14,604,000 (2006: RMB60,207,000) to secure certain of the Group's bank borrowings (Note 18).

於二零零七年十二月三十一日，人民幣14,604,000元(二零零六年：人民幣60,207,000元)的存貨浮動押記已用作本集團若干銀行借貸的擔保(附註18)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

12. TRADE AND BILLS RECEIVABLES – GROUP **12. 應收貿易及票據款項 – 本集團**

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Trade receivables	應收貿易款項	132,019	118,951
Bills receivable	應收票據款項	237,431	112,402
		369,450	231,353
Less: provision for impairment of receivables	減：應收款項減值撥備	(4,618)	(3,901)
Trade and bills receivables – net	應收貿易及票據款項 – 淨額	364,832	227,452

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

應收貿易及票據款項的公平值接近其賬面值。

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：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
0 to 30 days	0日至30日	287,068	176,974
31 to 90 days	31日至90日	38,459	31,126
91 to 180 days	91日至180日	32,277	15,076
181 days to 1 year	181日至1年	2,401	2,616
Over 1 year	1年以上	9,245	5,561
		369,450	231,353

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 RMB4,485,000 as at 31 December 2007 (2006: RMB4,468,000) (Note 36).

於二零零七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4,485,000元(二零零六年：人民幣4,468,000元)(附註36)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

12. TRADE AND BILLS RECEIVABLES – GROUP (Continued)

As at 31 December 2007, trade receivables of RMB358,656,000 (2006: RMB224,658,000) were fully performing. As at 31 December 2007, trade receivables of RMB10,794,000 (2006: RMB6,695,000) have the indication of impairment. The amount of the provision was RMB4,618,000 as at 31 December 2007 (2006: RMB3,901,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

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

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

RMB	人民幣
United States dollars	美元

12. 應收貿易及票據款項 – 本集團 (續)

於二零零七年十二月三十一日，人民幣358,656,000元(二零零六年：人民幣224,658,000元)的應收貿易款項已全數收回。於二零零七年十二月三十一日，人民幣10,794,000元(二零零六年：人民幣6,695,000元)之應收貿易款項已顯示減值。於二零零七年十二月三十一日，撥備金額為人民幣4,618,000元(二零零六年：人民幣3,901,000元)。經評估後預期部份應收款項將可收回。該等應收款項的賬齡分析如下：

	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
	3,115	932
	2,306	2,002
	5,373	3,761
	10,794	6,695

本集團以下列貨幣列示的應收貿易及票據款項的賬面值如下：

	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
	336,898	211,617
	32,552	19,736
	369,450	231,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

12. TRADE AND BILLS RECEIVABLES – GROUP (Continued)

Movements on the provision for impairment of trade receivables are as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
At 1 January	於一月一日	3,901	3,277
Provision for receivable impairment	應收款項減值撥備	717	624
At 31 December	於十二月三十一日	4,618	3,901

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of trade and bills receivables. The Group does not hold any collateral as security.

12. 應收貿易及票據款項 – 本集團 (續)

應收貿易款項減值撥備變動如下：

增設及解除已減值應收款項撥備已列入損益表中一般及行政開支。

於本報告日期，本集團面對的最大信貸風險為應收貿易及票據款項公平值。本集團並無持有任何抵押品作擔保。

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group 本集團		Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Prepayment for purchases of raw materials	購買原材料的預付款項	63,036	75,779	–	–
Staff advances	員工墊款	2,584	1,564	94	307
Other receivables	其他應收款項	2,689	7,462	6	59
Value-added tax recoverable	應退增值稅	5,160	1,952	–	–
Prepaid expenses	預付開支	1,703	4,077	608	366
Deposits	按金	3,268	7,265	9	–
		78,440	98,099	717	732

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

預付款項、按金及其他應收款項的公平值接近其賬面值。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

14. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS **14. 已抵押銀行存款及現金及現金等值物**

		Group 本集團		Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Pledged bank deposits	已抵押銀行存款	10,773	14,397	-	-
Cash at bank and in hand	銀行及手頭現金	199,615	139,887	1,639	525
		210,388	154,284	1,639	525

The effective interest rate on pledged bank deposits was 0.7% (2006: 0.7%) per annum.

已抵押銀行存款的有效息率為每年0.7% (二零零六年：0.7%)。

The average pledged bank deposits period for the year ended 31 December 2007 is 75 days (2006: 75 days).

截至二零零七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：75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	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
RMB	人民幣	100,160	143,858	-	4
United States dollars	美元	105,968	9,258	6	7
Hong Kong dollars	港元	1,902	1,062	1,633	514
Vietnam Dong	越南盾	2,212	-	-	-
Others	其他	146	106	-	-
		210,388	154,284	1,639	525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

15. SHARE CAPITAL

15. 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
		Note 附註		
Authorised:	法定：			
At 31 December 2006 and 2007	於二零零六年及 二零零七年 十二月三十一日		4,000,000	400,000
Issued and fully paid:	已發行及繳足：			
At 1 January 2006 and 31 December 2006	於二零零六年 一月一日及 於二零零六年 十二月三十一日		872,000	87,200
Issue of shares upon exercise of share options	於行使購股權後 發行股份	16(i)	1,200	120
Issue of shares for acquisition of an associate	就收購聯營公司 發行股份	35	10,655	1,066
At 31 December 2007	於二零零七年 十二月三十一日		883,855	88,386

16. SHARE OPTIONS

(i) Pre-IPO Share Option Scheme

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

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 expected share prices over the year after the Group's initial public offering.

16. 購股權

(i) 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，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。

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

16. SHARE OPTIONS (Continued)

- (i) **Pre-IPO Share Option Scheme (Continued)**
Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2007 二零零七年		2006 二零零六年	
		Average exercise price in HK dollar per share 平均行使價 (每股港元)	Options (thousands) 購股權 (千份)	Average exercise price in HK dollar per share 平均行使價 (每股港元)	Options (thousands) 購股權 (千份)
At 1 January	於一月一日	0.69	4,342	0.69	4,342
Exercised	已行使	0.69	(1,200)	-	-
At 31 December	於十二月三十一日	0.69	3,142	0.69	4,342

- (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 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 2007, no options had been granted under the Share Option Scheme (2006: Nil).

16. 購股權(續)

- (i) **首次公開發售前購股權計劃(續)**
尚未行使購股權數目及其相應加權平均行使價的變動如下：

- (ii) **首次公開發售後購股權計劃**
根據於二零零四年十一月二十一日通過之股東決議案，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%。於二零零七年十二月三十一日，概無購股權根據購股權計劃授出（二零零六年：無）。

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17. OTHER RESERVES

17. 其他儲備

		Group 本集團						
		Share premium	Capital reserve (i)	Statutory reserves(ii)	Revaluation reserve	Translation reserve	Retained earnings	Total
		股份溢價	資本儲備(i)	法定儲備(ii)	重估儲備	匯兌儲備	保留溢利	小計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2007	於二零零七年一月一日的結餘	175,817	162,041	79,667	29,466	-	321,816	768,807
Issue of shares upon exercise of share options	於行使購股權後發行股份	686	-	-	-	-	-	686
Issue of shares for acquisition of an associate	於收購聯營公司發行股份	12,278	-	-	-	-	-	12,278
Surplus on revaluation of buildings – gross (Note 7)	樓宇重估盈餘 – 毛額 (附註7)	-	-	-	6,693	-	-	6,693
- deferred income tax (Note 19)	- 遞延所得稅 (附註19)	-	-	-	(1,748)	-	-	(1,748)
Transfer to statutory reserves	轉撥至法定儲備	-	-	31,504	-	-	(31,504)	-
Transfer from revaluation reserve to retained earnings – gross	轉撥重估儲備至保留盈利 – 毛額	-	-	-	(2,043)	-	2,043	-
- deferred income tax (Note 19)	- 遞延所得稅 (附註19)	-	-	-	527	-	(527)	-
- deferred income tax in relation to the change of income tax rate (Note 19)	- 就所得稅稅率變動的遞延所得稅 (附註19)	-	-	-	1,359	-	(1,359)	-
		188,781	162,041	111,171	34,254	-	290,469	786,716
Profit for the year	年度溢利	-	-	-	-	-	237,777	237,777
Dividend relating to 2006	有關二零零六年股息	-	-	-	-	-	(35,044)	(35,044)
Currency translation differences	匯兌差額	-	-	-	-	(7,688)	-	(7,688)
Balance at 31 December 2007	於二零零七年十二月三十一日的結餘	188,781	162,041	111,171	34,254	(7,688)	493,202	981,761
Balance at 1 January 2006	於二零零六年一月一日的結餘	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 – gross	轉撥重估儲備至保留盈利 – 毛額	-	-	-	(2,218)	-	2,218	-
- deferred income tax (Note 19)	- 遞延所得稅 (附註19)	-	-	-	528	-	(528)	-
		175,817	162,041	79,667	29,466	-	216,481	663,472
Profit for the year	年度溢利	-	-	-	-	-	190,536	190,536
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	162,041	79,667	29,466	-	321,816	768,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

17. OTHER RESERVES (Continued)

17. 其他儲備(續)

		Company 本公司			
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve(i) 股本儲備(i) RMB'000 人民幣千元	Retained earnings 保留盈利 RMB'000 人民幣千元	Total 小計 RMB'000 人民幣千元
Balance at 1 January 2007	於二零零七年一月一日的結餘	175,817	172,319	48,081	396,217
Issue of shares upon exercise of share options	於行使購股權後發行股份	686	-	-	686
Issue of shares for acquisition of an associate	就收購聯營公司發行股份	12,278	-	-	12,278
Profit for the year	年度溢利	-	-	74,686	74,686
Dividend relating to 2006	有關二零零六年股息	-	-	(35,044)	(35,044)
Balance at 31 December 2007	於二零零七年十二月三十一日的結餘	188,781	172,319	87,723	448,823
Representing:	指:				
Reserves	儲備	188,781	172,319	25,650	386,750
Proposed dividend	建議股息	-	-	62,073	62,073
		188,781	172,319	87,723	448,823
Balance at 1 January 2006	於二零零六年一月一日的結餘	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
Representing:	指:				
Reserves	儲備	175,817	172,319	13,037	361,173
Proposed dividend	建議股息	-	-	35,044	35,044
		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) 資本儲備指發行股本數額與所收購附屬公司的資產淨值的差額。
- (ii) 根據中國大陸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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

17. OTHER RESERVES (Continued)

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.

17. 其他儲備(續)

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。

18. BORROWINGS

18. 借貸

		Group 本集團		Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Current	即期				
- unsecured bank borrowings	- 無抵押銀行貸款	32,753	13,507	-	-
- secured bank borrowings	- 有抵押銀行貸款				
(Note (a))	(附註(a))	31,500	61,500	-	-
- other bank borrowings	- 其他銀行貸款				
(Note (b))	(附註(b))	161,000	233,531	-	-
		225,253	308,538	-	-
Non-current	非即期				
- unsecured bank borrowings	- 無抵押銀行貸款				
(Note (c))	(附註(c))	486,752	64,428	398,141	-
- other bank borrowings	- 其他銀行貸款				
(Note (b))	(附註(b))	34,000	140,030	-	-
- notes payable	- 應付債券款項				
(Note (d))	(附註(d))	181,832	-	181,832	-
		702,584	204,458	579,973	-
Total borrowings	借貸總額	927,837	512,996	579,973	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

18. BORROWINGS (Continued)

Notes:

- (a) Bank borrowings of RMB31,500,000 (2006: RMB61,500,000) were secured by the followings:
- (i) pledge of the Group's land use rights with a net book amount of approximately RMB4,704,000 as at 31 December 2007 (2006: RMB32,245,000) (Note 6);
- (ii) pledge of the Group's property, plant and equipment with a net book amount of approximately RMB46,007,000 as at 31 December 2007 (2006: RMB17,814,000) (Note 7);
- (iii) floating charges over the Group's inventories with a net book amount of RMB14,604,000 as at 31 December 2007 (2006: RMB60,207,000) (Note 11).
- (b) Other bank borrowings were secured by cross corporate guarantees provided by certain subsidiaries totalling of RMB195,000,000 as at 31 December 2007 (2006: RMB373,561,000).
- (c) 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.
- (d) Notes payable represents US\$25 million guaranteed notes, maturing in 2012. The notes payable bears interest at 6.8% in the first year after drawdown and at floating rate with reference to Deutsche Bank Municipal Forward Rate Bias Index from second year after drawn down till maturity.

18. 借貸(續)

附註:

- (a) 人民幣31,500,000元(二零零六年: 人民幣61,500,000元)的銀行貸款以下列項目作擔保:
- (i) 本集團於二零零七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4,704,000元(二零零六年: 人民幣32,245,000元)(附註6);
- (ii) 本集團於二零零七年十二月三十一日抵押的物業、廠房及設備的賬面淨值約為人民幣46,007,000元(二零零六年: 人民幣17,814,000元)(附註7);
- (iii) 本集團於二零零七年十二月三十一日抵押的存貨浮動押記的賬面淨值約為人民幣14,604,000元(二零零六年: 人民幣60,207,000元)(附註11);
- (b) 其他銀行貸款以若干附屬公司提供的交叉公司擔保, 於二零零七年十二月三十一日的總額為人民幣195,000,000元(二零零六年: 人民幣373,561,000元)作抵押。
- (c) 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%。
- (d) 應付債券款項指於二零一二年到期的25,000,000美元的擔保票據。應付債券款首年之利息乃按6.8%計算, 往後至到期日之利息, 則參考德意志銀行的美國市政債券遠期利率偏差指數的浮息計息。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

18. BORROWINGS (Continued)

At 31 December 2007, the Group's borrowings were repayable as follows:

		Group 本集團				Company 本公司			
		Bank borrowings 銀行借貸		Notes payable 應付債券款項		Bank borrowings 銀行借貸		Notes payable 應付債券款項	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Within 1 year	1年之內	225,253	308,538	-	-	-	-	-	-
Between 1 and 2 years	1至2年	179,292	6,560	-	-	132,714	-	-	-
Between 2 and 5 years	2至5年	341,460	197,898	181,832	-	265,427	-	181,832	-
		746,005	512,996	181,832	-	398,141	-	181,832	-

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：

		Group 本集團		Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
RMB	人民幣	226,500	236,000	-	-
United States dollars	美元	701,337	276,996	579,973	-
		927,837	512,996	579,973	-

The effective interest rates (per annum) at the balance sheet date were as follows:

於結算日實際(年)利率如下：

		2007 二零零七年		2006 二零零六年	
		USD 美元	RMB 人民幣	USD 美元	RMB 人民幣
Bank borrowings	銀行借貸	6.71%	6.41%	7.90%	5.83%
Notes payable	應付債券款項	6.80%	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

18. BORROWINGS (Continued)

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

		Carrying amount 賬面值		Fair value 公平值	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Bank borrowings	銀行借貸	520,752	204,458	518,294	207,329
Notes payable	應付債券	181,832	–	176,166	–
		702,584	204,458	694,460	207,329

The fair values of current borrowings approximately their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 7.29% (2006: 6.48%).

The Group has the following undrawn borrowing facilities:

		2007	2006
		二零零七年 RMB'000 人民幣千元	二零零六年 RMB'000 人民幣千元
Floating rate	浮動利率		
– expiring within one year	– 於一年內到期	225,318	–
– expiring beyond one year	– 於一年後到期	229,876	109,322
		455,194	109,322

18. 借貸(續)

非流動借貸之賬面值及公平值如下：

由於折現之影響微不足道，流動借貸之公平值約相等於其賬面值。公平值乃根據貸款利率7.29%（二零零六年：6.48%），按現金流量折現計算。

本集團有以下未動用借貸融資：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

19. 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 follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 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	(670)	(758)
– Deferred tax assets to be recovered within 12 months	– 12個月內收回之遞延稅項資產	(2,937)	(3,121)
		(3,607)	(3,879)
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	11,078	11,216
Deferred tax liabilities – net	遞延稅項負債淨額	7,471	7,337

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

遞延所得稅賬之總變動如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
At 1 January	於一月一日	7,337	8,316
Income statement charged/(credited) (Note 27)	於損益表扣除/(計入) (附註27)	272	(451)
Credited to income statement then transferred to equity (Notes 17 and 27)	計入於損益表後轉 撥至權益 (附註17及27)	(1,886)	(528)
Taxation charged to equity in relation to the revaluation of buildings (Note 17)	就樓宇重估計入權益的 稅項 (附註17)	1,748	–
At 31 December	於十二月三十一日	7,471	7,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

19. DEFERRED INCOME TAX (Continued)

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:

Deferred income tax assets:

		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 2006 (Charged)/Credited to the consolidated income statement (Note 27)	於二零零六年一月一日 於綜合損益表(扣除)/ 計入(附註27)	1,208	2,220	3,428
		(450)	901	451
At 31 December 2006 and 1 January 2007	於二零零六年 十二月三十一日及 二零零七年一月一日	758	3,121	3,879
Charged to the consolidated income statement (Note 27)	於綜合損益表扣除 (附註27)	(88)	(184)	(272)
At 31 December 2007	於二零零七年 十二月三十一日	670	2,937	3,607

Deferred income tax liabilities:

遞延所得稅負債：

		Revaluation of buildings 樓宇重估 RMB'000 人民幣千元
At 1 January 2006	於二零零六年一月一日	11,744
Credited to the consolidated income statement (Note 27)	計入綜合損益表(附註27)	(528)
At 31 December 2006 and 1 January 2007	於二零零六年十二月三十一日及 二零零七年一月一日	11,216
Taxation charged to equity in relation to the revaluation of buildings (Note 17)	就樓宇重估自權益扣除稅項 (附註17)	1,748
Credited to the consolidated income statement (Note 27)	計入綜合損益表 (附註27)	(527)
Credited to the consolidated income statement resulted from the change of income tax rate (Note 27)	因所得稅稅率變動而計入 綜合損益表(附註27)	(1,359)
At 31 December 2007	於二零零七年十二月三十一日	11,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

19. DEFERRED INCOME TAX (Continued)

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 RMB317,000 (2006: RMB89,000) in respect of losses amounting to RMB3,171,000 (2006: RMB372,000) 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.

Deferred income tax of RMB527,000 (2006: RMB528,000) was transferred from other reserves (Note 17) 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.

19. 遞延所得稅(續)

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3,171,000元(二零零六年：372,000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317,000元(二零零六年：人民幣89,000元)。因未來應無足夠的應課稅利潤可用作抵銷待稅務虧損，故並無確認該稅項虧損的遞延稅項利益。

人民幣527,000元(二零零六年：人民幣528,000元)的遞延所得稅乃由其他儲備(附註17)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的遞延稅項。

20. TRADE AND BILLS PAYABLES – GROUP

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

Included in the trade payables were amounts due to related parties of RMB1,366,000 as at 31 December 2007 (2006: Nil) (Note 36).

At 31 December 2007, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) were as follows:

20. 應付貿易款項及票據款項 – 本集團

	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Trade payables	152,662	187,899
Bills payable	314,840	82,650
	467,502	270,549

於二零零七年十二月三十一日，列入應付貿易款項為人民幣1,366,000元(二零零六年：零元)的應付關聯方款項(附註36)。

於二零零七年十二月三十一日，應付貿易款項及票據款項(包括貿易性質的應付關聯方款項)的賬齡分析如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
0 to 90 days	0日至90日	272,557	237,460
91 to 180 days	91至180日	187,261	28,275
181 days to 1 year	181日至1年	3,671	3,076
Over 1 year	一年以上	4,013	1,738
		467,502	270,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

20. TRADE AND BILLS PAYABLES – GROUP (Continued)

Trade and bills payables are denominated in the following currencies:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
RMB	人民幣	453,793	228,399
United States dollars	美元	9,475	42,150
Vietnam Dong	越南盾	4,234	–
		467,502	270,549

20. 應付貿易款項及票據款項 – 本集團 (續)

應付貿易款項及票據款項的計值貨幣如下：

21. ACCRUALS AND OTHER PAYABLES

		Group 本集團		Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Accrued wages and salaries	應計工資及薪酬	38,756	18,991	200	–
Interest payable	應付利息	15,184	813	14,436	–
Other accrual of expenses	其他應計開支	21,176	9,494	2,832	2,768
Deposits from customers	客戶按金	14,013	12,841	–	–
Other deposits	其他按金	5,185	8,034	–	–
Payables for purchase of property, plant and equipment	購買物業、廠房及設備應付賬款	26,375	15,608	–	–
Payable to former principal shareholder of a subsidiary resulting from an acquisition	因收購而應付一家附屬公司之前主要股東之款項	–	67,578	–	–
Other payables	其他應付賬款	33,452	32,044	–	–
Tax payables other than enterprise income tax	應付稅項(企業所得稅除外)	1,496	6,383	–	–
		155,637	171,786	17,468	2,768

Included in deposits from customers were amounts due to related parties of RMB549,000 as at 31 December 2006 (Note 36).

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(附註36)。

22. SALES

The Group is principally engaged in the manufacturing and sale of yarn, grey fabrics and dyed fabrics. Sales recognised during the year represented sales of goods, net of value-added tax.

22. 營業額

本集團主要業務為製造及銷售紗線、坯布及染色布料，年內已確認的營業額指扣除增值稅後的貨品銷售。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

23. OTHER INCOME AND OTHER GAINS/ (LOSSES), NET **23. 其他收入及其他收益/(虧損)淨額**

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Other income	其他收入		
Return of income tax relating to re-investment	有關重新投資而退還所得稅	3,265	—
Subsidy income	補助收入	18,408	17,365
		21,673	17,365
Other gains/(losses) – net	其他收益/(虧損) – 淨額		
Net foreign exchange loss (Note 28)	匯兌虧損淨額 (附註28)	(3,813)	(2,947)
Excess of the fair value of net assets acquired over cost of acquisition of a subsidiary (Note 9)	所收購資產淨額高於收購附屬公司成本之公平值 (附註9)	38,894	—
Others	其他	8,028	1,191
Total other gains/(losses) – net	其他收益/(虧損) 總額 – 淨額	43,109	(1,756)

24. EXPENSES BY NATURE **24. 開支(以性質分類)**

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 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	(68,582)	(35,801)
Raw materials and consumables used	所用原材料及消耗品	2,440,525	1,971,964
Employment costs (Note 25)	僱員成本 (附註25)	276,040	203,065
Depreciation and amortisation (Notes 6 and 7)	折舊及攤銷 (附註6及7)	73,609	57,670
Office expense	辦公開支	30,206	30,095
Utilities	動力及燃料	167,565	125,543
Transportation	運輸	57,265	41,776
Auditor's remuneration	核數師酬金	3,820	3,516
Lease rental expense of buildings and machinery (Note 7)	樓宇及機器租金開支 (附註7)	8,634	3,960
Other expenses	其他開支	50,517	38,231
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	3,039,599	2,440,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

25. EMPLOYMENT COSTS

25. 員工成本

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Wages, salaries and bonuses	工資、薪酬及花紅	240,779	172,447
Pension costs – defined contribution plans (Note (a))	退休成本 – 界定供款計劃 (附註(a))	15,884	13,883
Other welfare benefits (Note (b))	其他福利 (附註(b))	7,552	6,518
Other employment benefits	其他僱員福利	11,825	10,217
		276,040	203,065

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 2007, the Group contributed approximately RMB15,808,000 (2006: RMB13,807,000) to the aforesaid state-sponsored retirement plans. As at 31 December 2007, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2006: Nil).

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 2007, the Group contributed approximately RMB76,000 (2006: RMB76,000) to the MPF Scheme.

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。截至二零零七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15,808,000元(二零零六年：人民幣13,807,000元)。於二零零七年十二月三十一日，本集團並無獲得任何沒收的供款的權利以減低本集團日後的供款(二零零六年：無)。

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。截至二零零七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(二零零六年：人民幣76,000元)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

25. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

(b) Other welfare benefits

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 2007, the Group contributed approximately RMB7,552,000 (2006: RMB6,518,000) to these plans.

(c) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

25. 員工成本(續)

附註：(續)

(b) 其他福利

本集團於中國大陸的所有僱員均參與僱員社會保障計劃，該計劃包括由政府機構籌劃及監控的醫療、房屋及其他福利。截至二零零七年十二月三十一日止年度，本集團就上述計劃供款約人民幣7,552,000元(二零零六年：人民幣6,518,000元)。

(c) 董事及高級管理層酬金

截至二零零七年十二月三十一日止年度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	Total 總計 RMB'000 人民幣千元
						退休計劃 僱主供款 RMB'000 人民幣千元	
Executive directors 執行董事							
	Hong Tianzhu 洪天祝	-	-	-	905	18	923
	Zhu Yongxiang 朱永祥	-	720	800	12	18	1,550
	Gong Zhao 龔照	-	382	400	12	18	812
	Tang Daoping 湯道平	-	360	720	12	18	1,110
Independent non-executive directors 獨立非執行董事							
	Ting Leung Huel, Stephen 丁良輝	160	-	-	-	-	160
	Cheng Longdi 程隆棟	69	-	-	-	-	69
	Zhu Lanfen 朱蘭芬	69	-	-	-	-	69
		298	1,462	1,920	941	72	4,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

25. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

(c) Directors' and senior management's emoluments (Continued)

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

Name of Director	董事姓名	Fees	Salaries	Bonuses	Other benefits (i)	Employer's contribution to pension scheme	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	退休計劃 僱主供款 RMB'000 人民幣千元	RMB'000 人民幣千元
Executive directors	執行董事						
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
Independent non-executive directors	獨立非執行董事						
Ting Leung Huel, Stephen	丁良輝	172	–	–	–	–	172
Cheng Longdi	程隆棟	74	–	–	–	–	74
Zhu Lanfen	朱蘭芬	74	–	–	–	–	74
		320	2,128	1,420	343	72	4,283

(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.

None of the directors waived any emoluments during the year ended 31 December 2007 (2006: Nil).

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: one) individual are as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Basic salaries and allowances	基本薪金及津貼	892	100
Bonuses	花紅	200	939
Pension cost – Defined contribution plan	退休金 – 界定供款計劃	11	12
		1,103	1,051

25. 員工成本(續)

附註：(續)

(c) 董事及高級管理層酬金(續)

截至二零零六年十二月三十一日止年度應付予每位董事的酬金如下：

Name of Director	董事姓名	Fees	Salaries	Bonuses	Other benefits (i)	Employer's contribution to pension scheme	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	退休計劃 僱主供款 RMB'000 人民幣千元	RMB'000 人民幣千元
Executive directors	執行董事						
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
Independent non-executive directors	獨立非執行董事						
Ting Leung Huel, Stephen	丁良輝	172	–	–	–	–	172
Cheng Longdi	程隆棟	74	–	–	–	–	74
Zhu Lanfen	朱蘭芬	74	–	–	–	–	74
		320	2,128	1,420	343	72	4,283

(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。

於截至二零零七年十二月三十一日止年度並無董事放棄收取任何酬金(二零零六年：無)。

(d) 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(二零零六年：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(二零零六年：一位)人士之酬金如下：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

26. FINANCE INCOME AND COSTS

26. 財務開支及成本

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Interest expense – bank borrowings wholly repayable within five years	須於五年內悉數償還的銀行貸款利息支出	60,282	40,235
Less: amount capitalised in property, plant and equipment (Note 7)	減：物業、廠房及設備資本化金額(附註7)	(2,524)	(1,784)
		57,758	38,451
Exchange gain on financing activities (Note 28)	融資活動匯兌收益(附註28)	(34,301)	(6,008)
Finance costs	財務支出	23,457	32,443
Finance income – Interest income on short-term bank deposits	財務收入—短期銀行存款利息收入	(3,594)	(4,431)
Net finance costs	財務費用淨額	19,863	28,012

27. INCOME TAX EXPENSE

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

27. 所得稅開支

於綜合損益表扣除的稅項金額如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Current income tax – Mainland China enterprise income tax	當期所得稅—中國大陸企業所得稅	26,444	25,237
Deferred income tax (Note 19)	遞延所得稅(附註19)	(1,614)	(979)
		24,830	24,258

(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 (2006: 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(二零零六年：零)。

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27. INCOME TAX EXPENSE (Continued)

(ii) Mainland China enterprise income tax (“EIT”)

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

Except for Texhong (China) Investment Co., Ltd., 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.

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%.

The National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the new “CIT Law”) on 16 March 2007 and the State Council has announced the Detail Implementation Regulations (“DIR”) on 6 December 2007, which has become effective from 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced CIT rate at 15%, will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

27. 所得稅開支(續)

(ii) 中國大陸企業所得稅(「企業所得稅」)

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

除天虹(中國)投資有限公司外，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。

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。

於二零零七年三月十六日，全國人民代表大會通過中華人民共和國企業所得稅法(「新企業所得稅法」)而國務院亦於二零零七年十二月六日頒佈條例實施細則(「條例實施細則」)，並已自二零零八年一月一日起生效。根據新企業所得稅法，內地及外資企業的所得稅率已自二零零八年一月一日起劃一為25%。然而，就於新企業所得稅法頒佈前設立並享有相關稅務機關授予減免企業所得稅優惠稅率的企業而言，新企業所得稅率可能自新企業所得稅法生效之後5年內逐漸增至25%。根據載於條例實施細則及相關通告的不追溯守則，享有所得稅率減免(稅率為15%)的地區，企業所得稅率將分別於二零零八年、二零零九年、二零一零年、二零一一年及二零一二年逐漸增加至18%、20%、22%、24%及25%。目前有權於一段固定期間獲得標準所得稅率豁免或減免的企業，可繼續享有該項待遇，直至該段固定期限屆滿為止。

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27. INCOME TAX EXPENSE (Continued)

(iii) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the 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. No provision for Macao profits tax has been made as the Group had no assessable profit arising in or derived from Macao during the year (2006: Nil). The Company's subsidiary established Vietnam is loss-making in 2007, therefore they was not subject to Vietnam income tax in 2007. (2006: Nil)

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:

27. 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。由於本集團於年內並無在澳門產生任何應課稅溢利，故並無就澳門所得稅作出撥備(二零零六年：無)。本公司於越南成立的附屬公司於二零零七年錄得虧損，因此於二零零七年毋須繳納越南所得稅。(二零零六年：無)

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之理論金額不同，差異如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	262,607	214,794
Tax calculated at domestic tax rates applicable to profits in the respective countries	按適用於個別國家有關實體溢利之當地稅率計算之稅項	74,875	67,933
Effect of tax exemption/reduction	稅項豁免/減免之影響	(50,795)	(42,326)
Expenses not deductible for tax purposes	不可扣稅開支	1,881	5,378
Tax losses for which no deferred income tax asset was recognised	未經確認遞延所得稅資產之稅項虧損	317	89
Utilisation of previously unrecognised tax losses	動用過往未確認稅項虧損	(89)	-
Change of income tax rate in respect of deferred taxes	遞延稅項所得稅稅率變動之影響	(1,359)	-
Income tax credit granted for qualified purchases of domestic equipment	就購買合資格內地設備之稅項抵免	-	(6,816)
		24,830	24,258

The weighted average applicable tax rate was 29% (2006: 32%).

加權平均應用稅率為29%(二零零六年：32%)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

28. NET FOREIGN EXCHANGE LOSSES

The exchange differences (charged)/credited in the income statement are included as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Other gains/(losses) – net (Note 23)	其他收益/(虧損) – 淨額 (附註23)	(3,813)	(2,947)
Finance costs (Note 26)	財務費用(附註26)	34,301	6,008
		30,488	3,061

28. 外匯虧損淨額

於損益表(扣除)/計入之兌換差額包括在以下項目：

29. 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 RMB74,686,000 (2006: RMB72,276,000).

29. 本公司股權持有人應佔溢利

本公司股權持有人應佔溢利約人民幣74,686,000元(二零零六年：人民幣72,276,000元)已計入本公司財務報表內。

30. EARNING 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.

30. 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。

		2007 二零零七年	2006 二零零六年
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)	237,777	190,536
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數 (以千計)	874,842	872,000
Basic earnings per share (RMB per share)	每股基本盈利 (每股人民幣)	0.27	0.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

30. EARNING 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 the share options, a calculation is made in order 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.

30. 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平值(以本公司股份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(假設購股權已獲行使)作出比較。

		2007 二零零七年	2006 二零零六年
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)	237,777	190,536
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數(以千計)	874,842	872,000
Adjustments for share options (thousands)	就購股權作出的調整(以千計)	1,572	2,470
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)	876,414	874,470
Diluted earnings per share (RMB per share)	每股攤薄盈利(每股人民幣)	0.27	0.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

31. DIVIDENDS

The dividends paid in 2007 and 2006 were RMB35,044,000 (HK dollar of 0.04 per share) and RMB85,201,000 (HK dollar of 0.095 per share), respectively. The directors recommend the payment of a final dividend of HK\$0.075 per ordinary share, totalling RMB62,073,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 16 May 2008. These financial statements do not reflect this dividend payable.

31. 股息

於二零零七年及二零零六年派發之股息分別為人民幣35,044,000元(每股0.04港元)及人民幣85,201,000元(每股0.095港元)。董事建議派發末期股息每股普通股0.075港元，合共人民幣62,073,000元。該股息於二零零八年五月十六日舉行之股東週年大會尋求股東批准。該等財務報表並未反映此項應付股息。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Interim dividend paid of nil (2006: HKD0.03) per ordinary share	已付中期股息每股普通股零元(二零零六年：0.03港元)	-	25,905
Proposed final dividend of HKD0.075 (2006: HKD0.04) per ordinary share	擬派末期股息每股普通股0.075港元(二零零六年：0.04港元)	62,073	35,044
		62,073	60,949

32. CASH GENERATED FROM OPERATIONS

32. 營運所得現金

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	262,607	214,794
Adjustments for:	經調整以下各項：		
- Amortisation	- 攤銷	1,070	895
- Depreciation	- 折舊	72,539	56,775
- Share of profit from an associate	- 分佔聯營公司溢利	(3,178)	-
- Excess of the fair value of net assets acquired over cost of acquisition of a subsidiary	- 所收購資產淨值之公允價值高於收購附屬公司成本	(38,894)	-
- Loss on disposal of property, plant and equipment (see below)	- 銷售物業、廠房及設備虧損(見下文)	312	849
- Finance costs - net	- 財務費用-淨額	19,863	28,012
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	(201,177)	(151,433)
- Trade and bills receivables	- 應收貿易及票據款項	(137,380)	(61,120)
- Prepayments, deposits and other receivables	- 預付款項、訂金及其他應收款項	19,659	(45,731)
- Trade and bills payables	- 應付貿易及票據款項	196,953	91,714
- Accruals and other payables	- 應計及其他應付款項	(1,505)	(34,869)
Cash generated from operations	營運所得現金	190,869	99,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

32. CASH GENERATED FROM OPERATIONS (Continued)

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

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Net book amount (Note 7)	賬面淨值(附註7)	10,280	2,720
Loss on disposal of property, plant and equipment	銷售物業、廠房及設備虧損	(312)	(849)
Proceeds from disposal of property, plant and equipment	銷售物業、廠房及設備的所得款項	9,968	1,871

32. 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：

33. CONTINGENCIES – GROUP

The Group had contingent liabilities not provided for as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Government grants obtained from the Management Committee of Taizhou Economic Development Zone	來自泰州經濟開發區管理委員會的政府補助	21,889	21,889

33. 或然事項 – 本集團

本集團未作撥備的或然負債如下：

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. 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.

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。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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

33. CONTINGENCIES – GROUP (Continued)

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

33. 或然事項 – 本集團(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。

34. COMMITMENTS

(i) Capital commitments

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

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備		
Contracted but not provided for	已訂約但未撥備	220,514	75,513
Authorised but not contracted for	已授權但未訂約	39,605	207,178
		260,119	282,691

(ii) 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:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
No later than 1 year	一年內	7,954	2,552
Later than 1 year and no later than 5 years	一年後至五年內	14,387	9,089
Later than 5 years	五年後	77,150	79,024
		99,491	90,665

34. 承擔

(i) 資本承擔：

於結算日的資本開支(但未產生)為如下：

(ii) 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：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

35. BUSINESS COMBINATION

During the year, Texhong Textile Nantong Limited, a wholly-owned subsidiary of the Company, acquired 37% equity interest of Nantong Textile Group Co., Ltd. ("Nantong Textile") from Hong Kong Tin Hong Industrial Limited, a company controlled by Mr. Hong Tianzhu, an executive Director and Chairman of the Group. The consideration was satisfied by the issue of 10,655,173 of the Company's shares with a quoted market value of RMB13,310,000 at the completion date and the payment of RMB15,000,000 in cash.

Details of share of net assets of the associate acquired and goodwill are as follows:

		2007 二零零七年 RMB'000 人民幣千元
Purchase consideration paid in cash	以現金支付之收購代價	15,000
Shares issued	已發行股份	13,310
Total purchase consideration	收購總代價	28,310
Fair value of share of net assets acquired – shown as below	分佔所收購資產淨值之公平值 — 載於下文	(28,119)
Goodwill	商譽	191

The share of net assets arising from the acquisition is analysed as follows:

35. 業務合併

年內，本公司全資附屬公司天虹紡織南通有限公司從香港天虹實業有限公司(由本集團執行董事兼主席洪天祝先生控股的公司)收購南通紡織控股集團紡織染有限公司(「南通紡織」)37%股權。代價以發行10,655,173股本公司股份(於完成日期所報的市價為人民幣13,310,000元)及現金人民幣15,000,000元支付。

分佔所收購之聯營公司資產淨值以及商譽的詳情如下：

		2007 二零零七年 RMB'000 人民幣千元
Purchase consideration paid in cash	以現金支付之收購代價	15,000
Shares issued	已發行股份	13,310
Total purchase consideration	收購總代價	28,310
Fair value of share of net assets acquired – shown as below	分佔所收購資產淨值之公平值 — 載於下文	(28,119)
Goodwill	商譽	191

分佔收購產生的資產淨值分析如下：

		Carrying amount 賬面值 RMB'000 人民幣千元	Fair value 公平值 RMB'000 人民幣千元
Non-current assets	非流動資產	255,724	259,912
Current assets	流動資產	119,460	119,460
Non current liabilities	非流動負債	(153,180)	(153,180)
Current liabilities	流動負債	(150,197)	(150,197)
Net assets	資產淨值	71,807	75,995
Interest acquired	所收購之利息		37%
Share of net assets acquired	分佔所收購資產淨值		28,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

36. RELATED-PARTY TRANSACTIONS

New Green Group Limited (incorporated in the British Virgin Islands) owns 44.7% of the Company's shares. Mr. Hong Tianzhu is the principal shareholder of New Green Group Limited, and has a beneficial shareholding of 54.7% in the Company through his own capacity, New Green Group Limited and another company. Mr. Zhu Yongxiang has a beneficial shareholding of 17.6% 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:

36. 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44.7%。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54.7%股權。朱永祥先生實益擁有本公司的17.6%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：

Name of related party 關聯方名稱	Relationship with the Group 與本集團的關係
Hong Tianzhu 洪天祝	Director 董事
New Green Group Limited	Shareholder 股東
Hong Kong Tin Hong Industrial Limited 香港天虹實業有限公司	Controlled by Hong Tianzhu, a director 由董事洪天祝控制
Nantong Shuanghong Textile Co., Ltd. 南通雙虹紡織品有限公司	Controlled by Hong Tianzhu, a director 由董事洪天祝控制
Tianhong Printing and Dyeing (Wuxi) Co., Ltd. 天虹印染(無錫)有限公司	Controlled by Hong Kong Tin Hong Industrial Limited, 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
Nantong Textile Group Co., Ltd. 南通紡織控股集團紡織染有限公司	Associate company of Texhong Textile Nantong Investment Limited, a subsidiary of the Company 本公司附屬公司天虹紡織南通投資有限公司的聯營公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

36. 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

36. 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

2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
28	499
4,185	140
4,213	639

(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

2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
681	2,973
2,841	1,564
3,522	4,537

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

36. RELATED-PARTY TRANSACTIONS 36. 與關聯方的交易(續)

(Continued)

(c) Balance with related parties

The Group had the following significant balances with related parties

(c) 關聯方的結餘

本集團與關聯方的重大結餘如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Trade receivables from related parties (Note 12)	應收關聯方的貿易款項(附註12)		
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司	3,967	4,327
– Nantong Textile Group Co., Ltd.	– 南通紡織控股集團紡織染有限公司	518	141
		4,485	4,468
Trade payables to a related party (Note 20)	應付關聯方的貿易款項(附註20)		
– Nantong Textile Group Co., Ltd.	– 南通紡織控股集團紡織染有限公司	1,366	–
Deposits from a related party (Note 21)	來自關聯方的訂金(附註21)		
– Nantong Textile Group Co., Ltd.	– 南通紡織控股集團紡織染有限公司	–	549

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

與關聯方的結餘為無抵押、免息及須於一年內償還。

(d) Acquisition of an associate from related company

On 11 July 2007, Texhong Textile Nantong Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire 37% equity interest of Nantong Textile Group Co., Ltd. from Hong Kong Tin Hong Industrial Limited, a company controlled by Mr. Hong Tianzhu, an executive Director and Chairman of the Group. For details of the acquisition, please refer to Note 35 of the financial statements.

(d) 從關聯公司收購聯營公司

於二零零七年七月十一日，本公司全資附屬公司天虹紡織南通有限公司訂立一項收購協議，向香港天虹實業有限公司(由本集團執行董事兼主席洪天祝先生控股的公司)收購南通紡織控股集團紡織染有限公司37%股權。有關收購的詳情請參閱財務報表附註35。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

36. RELATED-PARTY TRANSACTIONS 36. 與關聯方的交易 (續)
(Continued)

(e) Key management compensation

(e) 主要管理層薪酬

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Salaries, wages and bonuses	薪金、工資及花紅	6,137	4,898
Pension cost (defined contribution plan)	退休金成本(界定供款計劃)	122	131
Other employment benefits	其他僱員福利	1,050	295
		7,309	5,324

37. PARTICULARS OF SUBSIDIARIES

The following is a list of the significant subsidiaries at 31 December 2007:

37. 附屬公司資料

以下表列於二零零七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 主要業務及營運地點	Particulars of issued share capital or paid-in capital 已發行股本或繳入的股本詳情	Interest 佔股	Note 附註
Directly held- 直接持有 -					
Texhong Textile Holdings Limited 天虹紡織控股有限公司	British Virgin Islands 26 May 2004 limited liability company 英屬處女群島 二零零四年五月二十六日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	100 ordinary shares of USD1 each 100股 每股1美元 普通股	100%	
Texhong Textile Investment Limited 天虹紡織投資有限公司	British Virgin Islands 9 December 2004 limited liability company 英屬處女群島 二零零四年十二月九日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	1 ordinary share of USD1 1股 每股1美元 普通股	100%	
Sunray International Holdings Limited 新銳國際控股有限公司	British Virgin Islands 21 January 2005 limited liability company 英屬處女群島 二零零五年一月二十一日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	1 ordinary share of USD1 1股 每股1美元 普通股	100%	
Texhong Vietnam Investment Limited 天虹越南投資有限公司	British Virgin Islands, 6 Sep 2006 limited liability company 英屬處女群島 二零零六年九月六日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	USD50,000 50,000美元	100%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

37. PARTICULARS OF SUBSIDIARIES 37. 附屬公司資料(續)
(Continued)

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 主要業務及 營運地點	Particulars of issued share capital or paid-in capital 已發行股本或 繳入的股本詳情	Interest 佔股	Note 附註
Indirectly held– 間接持有–					
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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	USD6,350,000	100%	(i)
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	6,350,000美元	100%	(i)
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%	(i)
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%	(i)

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37. PARTICULARS OF SUBSIDIARIES 37. 附屬公司資料(續)
(Continued)

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 主要業務及 營運地點	Particulars of issued share capital or paid-in capital 已發行股本或 繳入的股本詳情	Interest 佔股	Note 附註
Indirectly held- 間接持有 -					
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%	(i)
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 混紡線	13,000,000美元	100%	(i)
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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%	(i)
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	USD3,500,000	100%	(i)
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	3,500,000美元	100%	(i)

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37. PARTICULARS OF SUBSIDIARIES 37. 附屬公司資料(續)
(Continued)

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 主要業務及 營運地點	Particulars of issued share capital or paid-in capital 已發行股本或 繳入的股本詳情	Interest 佔股	Note 附註
Indirectly held— 間接持有—					
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%	(i)
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、坯布、 紡織與織造產品及成衣	15,000,000美元	100%	(i)
Texhong (China) Investment Co., Ltd.	Shanghai, Mainland China, 21 June 2005 Limited liability company	Investment holding and trading of textile products in Mainland China	USD30,000,000	100%	(i)
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 有限責任公司	投資控股及於中國大陸 買賣紡織產品	30,000,000美元	100%	(i)
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%	(i)
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%	(i)
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%	(i)
泰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%	(i)
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	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	Investment holding in Hong Kong	10,000 ordinary share of HKD1	100%	
天虹紡織(香港)有限公司	香港 二零零六年五月十一日 有限責任公司	於香港進行投資控股	10,000股 每股1港元 普通股	100%	

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37. PARTICULARS OF SUBSIDIARIES 37. 附屬公司資料(續)
(Continued)

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 主要業務及 營運地點	Particulars of issued share capital or paid-in capital 已發行股本或 繳入的股本詳情	Interest 佔股	Note 附註
Indirectly held- 間接持有-					
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	RMB32,145,000	100%	(i)
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 32,145,000元	100%	(i)
Sunray Trading (Hong Kong) Limited	British Virgin Islands, 16 February 2005 Limited liability company	Trading, investment and corporate services in Hong Kong	10,000 ordinary share of HKD1	100%	
新銳貿易(香港)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 Joint Stock Company (formerly known as Texhong (Vietnam) Textile Limited)	Vietnam, 24 October 2006 limited liability company	Manufacturing of yarn in Vietnam	USD16,000,000	100%	
天虹(越南)紡織股份有限公司 (前稱天虹(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%	
Texhong Textile Nantong Ltd.	British Virgin Islands, 14 March 2007 limited liability company	Investment holding in British Virgin Islands	USD50,000	100%	
天虹紡織南通有限公司	英屬處女群島 二零零七年三月十四日 有限責任公司	於英屬處女群島進行投資控股	50,000美元		
Texhong Textile Nantong Investment Limited	Hong Kong, 6 November 2007 limited liability company	Investment holding in Hong Kong	HKD100	100%	
天虹紡織南通投資有限公司	香港 二零零七年十一月六日 有限責任公司	於香港進行投資控股	100港元		
Texhong Textile (Hong Kong) Holdings Limited	Hong Kong, 24 October 2007 limited liability company	Investment holding in Hong Kong	HKD100	100%	
天虹紡織(香港)控股有限公司	香港 二零零七年十月二十四日 有限責任公司	於香港進行投資控股	100港元		

Note (i): All subsidiaries incorporated in Mainland China are wholly owned foreign enterprises.

附註(i): 所有於中國大陸註冊成立的附屬公司均為全外資企業。