

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

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

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

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

1. 一般資料及呈列基準

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

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

自從二零零四年十二月九日，本公司股份已經在香港聯合交易所有限公司上市。

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. 主要會計政策概要

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

2.1 編製基準

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則

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

香港會計準則第1號	財務報表的呈列
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計估計的變動及誤差
香港會計準則第10號	結算日後事項
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第21號	外匯利率變動的影響
香港會計準則第23號	借貸成本
香港會計準則第24號	關連方披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈列
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第38號	無形資產
香港會計準則第39號	金融工具：確認及計量
香港會計準則第39號 (修訂)	金融資產及金融負債之過渡及首次確認
香港會計準則詮釋第15號	經營租約一優惠
香港財務申報準則第2號	以股份釐定的款項
香港財務申報準則第3號	業務合併

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

採納新訂／經修訂香港財務申報準則 (續)

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

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

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

2.1 Basis of preparation (Continued)

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

Decrease in property, plant and equipment	物業、廠房及設備減少	124,190	114,568
Increase in land use rights	土地使用權增加	56,098	44,969
Decrease in revaluation reserves	重估儲備減少	52,471	52,471
Decrease in deferred income tax liabilities	遞延稅項負債減少	17,296	17,488
Decrease in general and administrative expenses	一般及行政開支減少	1,507	377
Increase in income tax expenses	所得稅開支增加	192	17
Increase in opening retained earnings	期初保留溢利增加	360	—
Increase in basic earnings per share	每股基本盈利增加	—	—
Increase in diluted earnings per share	每股攤薄盈利增加	—	—

(ii) The adoption of HKFRS 2 resulted in:

Increase in share premium	股份溢價增加	433	—
Decrease in retained earnings	保留溢利減少	—	—
Increase in general and administrative expense	一般及行政開支增加	433	—
Decrease in basic earnings per share	每股基本盈利減少	—	—
Decrease in diluted earnings per share	每股攤薄盈利減少	—	—

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

2.1 編製基準 (續)

(i) 採納經修訂香港會計準則第17號引致：

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

(ii) 採納香港財務申報準則第2號引致：

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

採納香港財務申報準則第2號對於二零零四年一月一日的期初保留溢利並無影響。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

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

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

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

7,762

7,762

1,258

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

尚未生效之準則、對已頒佈準則之詮釋及修訂

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

2.2 Consolidation

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

尚未生效之準則、對已頒佈準則之詮釋及修訂 (續)

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

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

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

2.2 綜合

綜合財務報表包括本公司及其附屬公司於十二月三十一日的財務報表。

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

附屬公司自控制權轉移予本集團當日起綜合入賬,並由控制權終止當日起剔除。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

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

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

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

2.3 Segment reporting

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

2. 主要會計政策概要 (續)

2.2 綜合 (續)

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

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

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

2.3 分類報告

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(b) Transactions and balances

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

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

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

2. 主要會計政策概要 (續)

2.4 外幣換算

(a) 功能及呈報貨幣

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

(b) 交易及結餘

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

(i) Construction-in-progress

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

(ii) Other property, plant and equipment

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

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備

(i) 在建工程

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

(ii) 其他物業、廠房及設備

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

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

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

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

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

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

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備 (續)

(ii) 其他物業、廠房及設備 (續)

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

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

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

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

本集團在每個結算日重檢資產的剩餘價值及可用年限，並已按適當情況作出調整。

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

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

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

2.6 Land use rights

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

2. 主要會計政策概要 (續)

2.5 物業、廠房及設備 (續)

(ii) 其他物業、廠房及設備 (續)

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

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

2.6 土地使用權

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

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

2.8 Government grants

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

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

2. 主要會計政策概要 (續)

2.7 非財務資產減值

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

2.8 政府補助

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

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

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2. 主要會計政策概要 (續)

2.9 存貨

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

2.10 應收賬款

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

2.11 現金及現金等值物

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Borrowings

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

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

2.14 Deferred income tax

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

2. 主要會計政策概要 (續)

2.12 股本

普通股分類為股權。

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

2.13 借貸

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

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

2.14 遞延所得稅

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Deferred income tax (Continued)

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

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

2.15 Employees benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

2. 主要會計政策概要 (續)

2.14 遞延所得稅 (續)

遞延稅項資產只會在未來應課稅溢利有可能用作抵銷暫時差異時才會確認。

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

2.15 僱員福利

(a) 僱員所享有假期

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

(b) 退休金承擔

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employees benefits (Continued)

(c) Share-based compensation

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

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

(d) Bonus plan

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

2.16 Provisions

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

2. 主要會計政策概要 (續)

2.15 僱員福利 (續)

(c) 以股份作補償

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

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

(d) 花紅計劃

本集團於合約規定或由過往做法產生推定責任時就花紅確認撥備。

2.16 撥備

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provisions (Continued)

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

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

2.17 Revenue recognition

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

(a) Sales of goods

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

(b) Commission income

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

2. 主要會計政策概要 (續)

2.16 撥備 (續)

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

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

2.17 收益確認

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

(a) 貨品銷售

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

(b) 佣金收入

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

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

2.17 Revenue recognition (Continued)

(c) *Subsidy income*

Subsidy income is recognised when received.

(d) *Interest income*

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

2.18 Operating leases

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

2.19 Dividend distribution

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

2.17 收益確認 (續)

(c) 補助收入

補助收入於接獲時確認。

(d) 利息收入

利息收入採用實際利息法按時間比例基準確認。

2.18 經營租約

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

2.19 股息分派

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(i) *Foreign exchange risk*

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

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

(ii) *Credit risk*

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

(iii) *Liquidity risk*

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

3. 財務風險分析

3.1 財務風險因素

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

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

(i) *外匯風險*

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

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

(ii) *信貸風險*

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

(iii) *流動資金風險*

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

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

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

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

3.2 Fair value estimation

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

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

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

本集團並無使用任何利率掉期以對沖利率風險。

3.2 公平價值估計

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

4. CRITICAL ACCOUNTING ESTIMATES

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

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

4.1 Estimated useful lives of plant and equipment

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

4.2 Estimated provision for doubtful debts

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

4. 重大會計估計

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

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

4.1 機器及設備之估計可使用年期

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

4.2 呆賬估計撥備

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

5. NEGATIVE GOODWILL

Movements were:

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

 Balances at 31 December

於一月一日之結餘
 攤銷
 香港財報申報準則
 第3號期初調整

 十二月三十一日
 之結餘

5. 負商譽

變動如下：

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	(9,020)	(10,278)
	-	1,258
	9,020	-
	-	(9,020)

6. PROPERTY, PLANT AND EQUIPMENT

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

6. 物業、廠房及設備 (續)

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

倘樓宇以歷史成本法列賬，金額將為如下：

As at 31 December

於十二月三十一日

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

60,154	58,281
(8,524)	(5,883)
51,630	52,398

- (iii) 於二零零五年十二月三十一日的物業、廠房及設備約人民幣122,375,000元(二零零四年：人民幣139,215,000元)抵押為本集團短期銀行貸款的抵押品(附註15)。

- (iv) 於二零零五年十二月三十一日的在建工程約人民幣232,153,000元(二零零四年：零)指本集團於中國大陸徐州收購配備100,000個紗錠生產紗線工廠的項目。

As at 31 December

於十二月三十一日

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

38,739	4
195,816	462
234,555	466

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

6. 物業、廠房及設備 (續)

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

以上固定資產的成本或重估分析為如下:

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

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

		Company 本公司 Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元
Period from 12 July 2004 (date of incorporation) to 31 December 2004	自二零零四年七月十二日 (註冊成立之日)至二零零四年 十二月三十一日止期間	
Additions	添置	563
Depreciation	折舊	(28)
Closing net book amount	期末賬面淨值	<u>535</u>
At 31 December 2004	於二零零四年十二月三十一日	
Cost	成本	563
Accumulated depreciation	累計折舊	(28)
Net book amount	賬面淨值	<u>535</u>
Year ended 31 December 2005	截至二零零五年十二月三十一日 止年度	
Opening net book amount	期初賬面淨值	535
Additions	添置	6
Depreciation	折舊	(80)
Closing net book amount	期末賬面淨值	<u>461</u>
At 31 December 2005	於二零零五年十二月三十一日	
Cost	成本	569
Accumulated depreciation	累計折舊	(108)
Net book amount	賬面淨值	<u>461</u>

7. LAND USE RIGHTS

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

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

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

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

Balances at 31 December	於十二月三十一日的結餘
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As at 31 December 2005, land use rights amounting to RMB4,400,000 represents cost of acquisition of the land use rights of RMB26,289,000, less related government grants of RMB21,889,000 which was deducted from the acquisition cost (Note 30).

8. SUBSIDIARIES – THE COMPANY

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

Due from subsidiaries	應收附屬公司款項
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Due to a subsidiary	應付附屬公司款項
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Particulars of the principal subsidiaries of the Company are set out in Note 33.

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

7. 土地使用權

本集團於土地使用權的權益指預付營運租賃款項，其賬面淨值分析如下：

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

56,098	44,969
---------------	--------

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

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

44,969	32,125
12,041	13,344
(912)	(500)

56,098	44,969
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於二零零五年十二月三十一日，土地使用權價值為人民幣4,400,000元，為收購土地使用權的成本人民幣26,289,000元減去政府補助人民幣21,889,000元(附註30)。

8. 附屬公司—本公司

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

246,592	246,592
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257,294	25,688
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568	581
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本集團主要附屬公司詳情載於附註33。

應收／付附屬公司款項為無抵押、免息且須予一年內償還。

9. INVENTORIES

Raw materials 原材料
Work in progress 在產品
Finished goods 製成品

9. 存貨

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	138,364	74,953
	34,561	28,313
	93,737	61,119
	266,662	164,385

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

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

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

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

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

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

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

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

10. TRADE AND BILLS RECEIVABLES

Trade receivables 應收貿易款項
Bills receivable 應收票據款項

Less: Provision for impairment of receivables 減: 應收款項減值撥備

10. 應收貿易及票據款項

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	127,677	111,759
	37,790	23,170
	165,467	134,929
	(3,277)	(2,921)
	162,190	132,008

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

應收貿易及票據款項的公平價接近其賬面值。

10. TRADE AND BILLS RECEIVABLES (Continued)

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

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

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

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

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

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

10. 應收貿易及票據款項 (續)

本集團授予其客戶的信貸期一般為90日內。應收貿易及票據款項的賬齡分析如下:

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

由於本集團有大量客戶，應收貿易款項無集中的信貸風險。

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

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES **11. 預付款項、按金及其他應收賬款**

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

The fair value of other receivables approximates their carrying amounts.

其他應收賬款的公平值接近其賬面值。

12. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

12. 已抵押銀行存款及現金及現金等值物

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

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

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

已抵押銀行存款的有效息率為0.7% (二零零四年: 0.7%)

Cash and cash equivalents were:

現金及現金等值物為:

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

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

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

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

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

13. TRADE PAYABLES

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

The ageing analysis of the trade payables was as follows:

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

12. 已抵押銀行存款及現金及現金等值物 (續)

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

13. 應付貿易款項

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

應收貿易款項的賬齡分析如下：

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

14. ACCRUALS AND OTHER PAYABLES

14. 應計費用及其他應付賬款

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

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

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

15. BORROWINGS

15. 借貸

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

15. BORROWINGS (Continued)

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

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

Certain bank loans were secured by the followings:

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

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

15. 借貸 (續)

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

政府貸款為無抵押、無附息及無預定償還期。

若干銀行貸款以下列項目作擔保:

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

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

15. BORROWINGS (Continued)

The maturity of borrowings is as follows:

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

15. 借貸 (續)

借貸之到期日為如下:

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

於結算日的有效稅率為如下:

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

The carrying amounts of borrowings approximate their fair value.

借貸的賬面值接近其公平值。

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

借貸的賬面值按以下貨幣計值:

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

15. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

15. 借貸 (續)

本集團有以下未動用借貸融資：

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

16. SHARE CAPITAL**16. 股本**

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

16. SHARE CAPITAL (Continued)

Notes—

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

16. 股本 (續)

附註—

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

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

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

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

17. 購股權**(i) 購股權計劃**

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

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

17. SHARE OPTIONS**(ii) Post-IPO Share Option Scheme**

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

17. 購股權**(ii) 首次公開發售後購股權計劃**

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

18. OTHER RESERVES AND RETAINED EARNINGS

18. 其他儲備及保留溢利

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

18. OTHER RESERVES AND RETAINED EARNINGS **18. 其他儲備及保留溢利 (續)**
(Continued)

		Company 本公司			Retained earnings/ (Accumulated losses)
		Other reserves 其他儲備			保留溢利/ (累計虧損)
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserves(i) 資本儲備(i) RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	RMB'000 人民幣千元
Loss for the year	年內虧損	-	-	-	(3,933)
Difference between the amount of share capital issued and the net asset value of the subsidiaries acquired	發行股份數額與收購附屬公司資產淨值的差額	-	172,319	172,319	-
Premium on issue of shares	發行股份溢價	194,967	-	194,967	-
Share issue costs	發行股份成本	(19,583)	-	(19,583)	-
Balance at 31 December 2004	於二零零四年十二月三十一日的結餘	175,384	172,319	347,703	(3,933)
Balance at 1 January 2005	於二零零五年一月一日的結餘	175,384	172,319	347,703	(3,933)
Profit for the year	年度溢利	-	-	-	64,939
Employee share option scheme – value of employee services	僱員購股權計劃 – 僱員服務價值	433	-	433	-
Balance at 31 December 2005	於二零零五年十二月三十一日的結餘	175,817	172,319	348,136	61,006

18. OTHER RESERVES AND RETAINED EARNINGS (Continued)

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

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

18. 其他儲備及保留溢利 (續)

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

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

19. DEFERRED INCOME TAX

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

The movements in deferred income tax account were as follows:

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

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

19. 遞延所得稅

遞延稅項採用負債法就短暫差異作全數撥備。

遞延所得稅賬的變動如下:

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
遞延所得稅資產:			
於一月一日		-	-
於損益表確認:			
- 結轉的稅項虧損 (附註23)		1,208	-
- 暫時差異 (附註23)		2,220	-
		3,428	-
於十二月三十一日		3,428	-
遞延所得稅負債:			
於一月一日		12,012	-
於股本扣除 (附註18)		(268)	(43)
就樓宇重估儲備於股本扣除 (附註18)		-	12,055
		11,744	12,012
於十二月三十一日		11,744	12,012

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

20. TURNOVER, REVENUE AND SEGMENT INFORMATION 20. 營業額、收益及分類資料

(i) Turnover and other gains

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

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Turnover	營業額		
Sales of goods (exclude value-added tax)	貨品銷售 (不包括增值稅)	1,915,965	1,415,852
Other gains	其他收入		
Subsidy income	補助收入	8,984	8,648
Interest income	利息收入	3,442	480
Commission income	佣金收入	2,704	-
Rental income – machinery and equipment	租金收入 – 機械及設備	-	250
		15,130	9,378
		1,931,095	1,425,230

(ii) Segment information

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

(i) 營業額及其他收益

本集團主要業務為製造及銷售紗線、坯布及染色布料。確認的收益如下：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
營業額			
貨品銷售 (不包括增值稅)		1,915,965	1,415,852
其他收入			
補助收入		8,984	8,648
利息收入		3,442	480
佣金收入		2,704	-
租金收入 – 機械及設備		-	250
		15,130	9,378
		1,931,095	1,425,230

(ii) 分類資料

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

21. EXPENSES BY NATURE

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

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

22. FINANCE COSTS

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

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

21. 開支(以性質分類)

開支包括銷售貨品成本、銷售及市場推廣成本及一般及行政開支，分析如下：

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

22. 財務費用

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

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

23. INCOME TAX EXPENSE

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

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

(i) Hong Kong profits tax

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

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

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

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

23. 所得稅開支

於合併損益表扣除的稅項金額指：

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

(i) 香港利得稅

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

(ii) 中國大陸企業所得稅（「企業所得稅」）

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

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

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

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

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

23. 所得稅開支(續)**(iii) 海外所得稅**

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

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

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

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

加權平均應用稅率為32%（二零零四年：31%）

24. PROFIT ATTRIBUTABLE TO EQUITYHOLDERS

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

25. DIVIDENDS

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

Proposed final dividend of HK\$0.065 (2004: Nil) per ordinary share

建議末期股息
每股0.065港元
(二零零四年: 零)

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

26. EARNINGS PER SHARE**Basic**

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

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

24. 股權持有人應佔溢利

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

25. 股息

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

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

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

26. 每股盈利**基本**

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

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

26. EARNINGS PER SHARE (Continued)**Diluted**

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

26. 每股盈利 (續)**攤薄**

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

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

27. EMPLOYMENT COSTS**27. 員工成本**

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

27. EMPLOYMENT COSTS (Continued)

(a) Pensions – defined contribution plans

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

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

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

27. 員工成本(續)

(a) 退休—界定供款計劃

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

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

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

27. EMPLOYMENT COSTS (Continued)

(b) Directors' emoluments

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

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

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

截至二零零五年十二月三十一日應付予本公司董事的酬金總額如下：

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 其他福利 RMB'000 人民幣千元	Employer's contribution to pension scheme 退休計劃 僱主供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Executive directors 執行董事							
Hong Tianzhu	洪天祝	-	201	-	13	19	233
Zhu Yongxiang	朱永祥	-	107	-	3	5	115
Gong Zhao	龔照	-	70	-	4	6	80
Tang Daoping	湯道平	-	64	-	3	5	72
Non-executive directors 獨立非執行董事							
Ting Leung Huel, Stephen	丁良輝先生	16	-	-	-	-	16
Cheng Longdi	程隆棟先生	6	-	-	-	-	6
Zhu Lanfen	朱蘭芬女士	6	-	-	-	-	6
		28	442	-	23	35	528

截至二零零四年十二月三十一日止年度，應付予本公司董事的酬金總額如下：

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

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

(c) Five highest paid individuals

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

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

27. 員工成本 (續)**(b) 董事酬金 (續)**

於截至二零零五年及二零零四年十二月三十一日止年度並無董事放棄收取任何酬金。

(c) 五位最高薪酬人士

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

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

28. NET FOREIGN EXCHANGE LOSSES/(GAINS)

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

General and administrative expenses	一般及行政開支
-------------------------------------	---------

28. 外匯虧損／(收益) 淨額

於損益表確認之兌換差額包括在以下項目：

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
3,527	(771)

29. CASH GENERATED FROM OPERATIONS

29. 營運所得現金

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 Restated 重列
Profit for the year	年度溢利	180,210	137,048
Adjustments for:	經調整以下各項:		
– Tax (Note 23)	– 稅項 (附註23)	16,865	10,530
– Depreciation (Note 6)	– 折舊 (附註6)	34,949	27,043
– Amortisation (Note 7)	– 攤銷 (附註7)	912	500
– Amortisation of negative goodwill (Note 5)	– 攤銷負商譽 (附註5)	–	(1,258)
– Profit on sale of property, plant and equipment (see below)	– 銷售物業、廠房及設備所得溢利 (見下文)	(646)	(199)
– Interest income (Note 20)	– 利息收入 (附註20)	(3,442)	(480)
– Interest expense (Note 22)	– 利息支出 (附註22)	19,914	12,685
– Employee share option costs (Note 17)	– 僱員購股權計劃 (附註17)	433	–
Changes in working capital	營運資金變動		
– Inventories	– 存貨	(102,277)	(32,242)
– Trade and bills receivable	– 應收貿易及票據款項	(30,182)	(27,718)
– Prepayments, deposits and other receivables	– 預付款項、訂金及其他應收款項	(19,271)	37,048
– Trade payables	– 應付貿易款項	101,734	12,720
– Accruals and other payables	– 應計及其他應付款項	13,790	22,838
Cash generated from operations	營運活動產生現金	212,989	198,515

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

於現金流量表，銷售物業、廠房及設備的所得款項包括：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Net book amount	賬面淨值	1,914	634
Profit on sale of property, plant and equipment	銷售物業、廠房及設備所得溢利	646	199
Proceeds from sale of property, plant and equipment	銷售物業、廠房及設備的所得款項	2,560	833

30. CONTINGENT LIABILITIES

The Group had contingent liabilities not provided for as follows:

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Government grants obtained from the Management Committee of Taizhou Economic Develop Zone (Note (i))	來自泰州經濟開發區管理委員會的政府撥付 (附註(i))	21,889	21,889	-	-

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

Note –

- (i) During the year ended 31 December 2002, Taizhou Century Texhong Textile Co., Ltd., a wholly owned subsidiary, acquired a plot of land in Mainland China for RMB26,289,000 and paid RMB4,400,000, with the remaining balance of RMB21,889,000 covered by government grants (Note 7). The Group has obtained a confirmation from the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, that the amount of RMB21,889,000 represents grants to Taizhou Century Texhong Textile Co., Ltd. by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, and such an amount had been settled by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, with the relevant Land Resources Bureau of Taizhou City and the Group will not be responsible for the payment of such an amount. However, in case that the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, is not the appropriate authority responsible for the settlement, the Group may be liable to pay the balance of the acquisition cost amounting to RMB21,889,000.

30. 或然負債

本集團未作撥備的或然負債如下：

本公司董事及本集團的管理層預期上述或然事項不會產生重大負債。

附註一

- (i) 於截至二零零二年十二月三十一日止年度，全資附屬公司泰州世紀天虹紡織有限公司以人民幣26,289,000元購入一塊幅位於中國大陸的土地，已支付人民幣4,400,000元，餘款人民幣21,889,000元以政府撥付支付(附註14)。本集團已獲江蘇省泰州經濟開發區管理委員會確認，該人民幣21,889,000元為江蘇省泰州經濟開發區管理委員會給予泰州世紀天虹紡織有限公司的撥付，江蘇省泰州經濟開發區管理委員會已連同有關的泰州市土地資源管理局支付該筆款項，本集團將不負責支付該筆款項。然而，倘江蘇省泰州經濟開發區管理委員會並非支付該筆款項的適當機構，則本集團或須支付收購成本的餘額人民幣21,889,000元。

31. COMMITMENTS

(a) Capital commitments:

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

Authorised, contracted but not provided for – purchase of machinery and equipment	已授權並訂約惟未撥備 — 購買機器及設備
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31. 承擔

(a) 資本承擔:

本集團於結算日的資本開支(但未產生)為如下:

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
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61,265	1,080
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(b) Commitment in relation to capital injections into subsidiaries (Note 33):

(b) 有關注資附屬公司的承擔(附註33):

		Group 本集團		Company 本公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Xuzhou Texhong Times Textile Co., Ltd.	徐州天虹時代 紡織有限公司	-	35,182	-	-
Jiangsu Century Texhong Textile Co., Ltd.	江蘇世紀天虹 紡織有限公司	10,693	-	-	-
Taizhou Century Texhong Textile Co., Ltd.	泰州世紀天虹 紡織有限公司	14,123	-	-	-
Nantong Century Texhong Textile Co., Ltd.	南通世紀天虹 紡織有限公司	8,877	-	-	-
		33,693	35,182	-	-

31. COMMITMENTS (Continued)**(c) Operating leases:**

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

Not later than one year	一年內
Later than one year and not later than five years	一年後至五年內

31. 承擔 (續)**(c) 經營租賃:**

本集團根據不可撤銷經營租賃於未來支付的最低租賃付款總額如下:

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	4,632	927
	1,510	1,822
	6,142	2,749

32. RELATED PARTY TRANSACTIONS

The Group is controlled by New Green Group Limited (incorporated in British Virgin Islands), which owns 45% of the Company's shares. The remaining 55% of the shares are widely held. The ultimate parent of the Group is Hong Tianzhu.

- (a)** The Company's directors and the Group's management are of the view that the following companies/individuals are related parties of the Group:

Name of related party
關聯方名稱

Hong Tianzhu
洪天祝

New Green Group Limited

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

天虹印染(無錫)有限公司

Nantong Textile Group Co., Ltd.

南通紡織控股集團紡織染有限公司

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

32. 與關聯方的交易

本集團由New Green Group Limited(於英屬處女群島註冊成立)控制,其擁有本公司45%的股份。餘下的55%股份廣泛分佈於不同人士。本集團的最終控股方為洪天祝。

- (a)** 於有關期間,本公司董事及本集團的管理層認為下列公司/人士為本集團的關聯方:

Relationship with the Group
與本集團的關係

Director
董事

Shareholder
股東

Controlled by Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu, a director
由香港天虹實業有限公司(董事洪天祝控制的公司)控制

Associate company of Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu
香港天虹實業有限公司(洪天祝控制的公司)的聯營公司

Controlled by Hong Tianzhu
由洪天祝控制

32. RELATED PARTY TRANSACTIONS (Continued)**(b) Transactions with related parties:**

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

Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	天虹印染(無錫)有限公司
– Sales of goods	– 銷售貨品
– Purchase of goods	– 購買貨品
– Subcontracting fee	– 外判費用
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司
– Sales of goods	– 銷售貨品
– Purchase of goods	– 購買貨品
Nantong Shuanghong Textile Co., Ltd.	南通雙虹紡織有限公司
– Sales of goods	– 銷售貨品
– Purchase of goods	– 購買貨品
– Receipt of rental income	– 收取租金收入
– Subcontracting fee	– 外判費用

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.

(c) Key management compensation

Wages, salaries and bonuses	薪金·酬金及花紅
Share options granted	授出購股權
Pension costs (defined contribution plan)	退休金成本(界定供款計劃)
Other employment benefits	其他僱員福利

32. 與關聯方的交易(續)**(b) 與關聯方的交易:**

本集團與其關聯方進行下列重大交易如下:

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
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10,242	19,427
9,381	15,049
150	712

71	2,505
1,127	–

–	5,451
–	33,825
–	250
–	1,754

本公司董事及本集團的管理層認為上述與關聯方的交易乃於日常業務過程及根據正常商業條款進行，並且根據相關協議的條款及／或由有關各方發出的發票進行。

(c) 主要管理層薪酬

2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
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5,361	3,195
433	–
113	104
73	67

5,980	3,366
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32. RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties:

The Group had the following significant balances with related parties –

Trade-related:	與貿易相關:
Trade receivables (Note 10)	應收貿易款項 (附註10)
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
Deposits from customers (Note 14)	客戶訂金 (附註14)
– Nantong Textile Group Co., Ltd.	– Nantong Textile Group Co., Ltd.
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
Non-trade: Due to related parties	非貿易: 應付關連方款項
– New Green Group Limited (Note (i))	– 南通雙虹紡織有限公司 (附註(i))

Note –

- (i) This represents the balance of the dividend payable to a shareholder, and is unsecured, non-interest bearing and payable within one year.

32. 與關聯方的交易 (續)

(d) 關聯方的重大結餘:

本集團與關聯方的重大結餘如下:

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	5,304	5,483
	220	–
	27	–
	247	–
	–	25,000

附註一

- (i) 此乃應付予一股東的股息，為無抵押、免息及須於一年內償還。

33. PARTICULARS OF SUBSIDIARIES

33. 附屬公司資料

The following is a list of the significant subsidiaries at 31 December 2005:

以下表列於二零零五年十二月三十一日的重大附屬公司：

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Directly held— 直接持有—				
Texhong Textile Holdings Limited 天虹紡織控股有限公司	British Virgin Islands 26 May 2004 limited liability company 英屬處女群島 二零零四年五月二十六日 有限責任公司	Investment holding 投資控股	100 ordinary shares of US\$1 each 100股 每股1美元 普通股	100%
Texhong Textile Investment Limited 天虹紡織投資有限公司	British Virgin Islands 9 December 2004 limited liability company 英屬處女群島 二零零四年十二月九日 有限責任公司	Investment holding 投資控股	1 ordinary share of US\$1 1股 每股1美元 普通股	100%
New Apex International Limited 新銳國際有限公司	British Virgin Islands 21 January 2005 limited liability company 英屬處女群島 二零零五年一月二十一日 有限責任公司	Investment holding 投資控股	1 ordinary share of US\$1 1股 1美元 普通股	100%
Indirectly held— 間接持有—				
Texhong Textile (Taizhou) Co., Ltd. 天虹紡織(泰州)有限公司	Tai Zhou, Mainland China 20 October 1997 limited liability company 中國泰州 一九九七年十月二十日 有限責任公司	Manufacturing and sales of yarns and grey fabrics 製造及銷售紗線及坯布	US\$193,750 193,750美元	100%
Texhong Textile (Jinhua) Co., Ltd. 天虹紡織(金華)有限公司	Jinhua, Mainland China 4 January 1998 limited liability company 中國金華 一九九八年一月四日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress 製造及銷售紗線、坯布、染布及服裝	US\$350,000 350,000美元	100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料(續)

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Texhong Textile (Suining) Co., Ltd. 天虹紡織(睢寧)有限公司	Xuzhou, Mainland China 26 June 1998 limited liability company 中國徐州 一九九八年六月二十六日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress 製造及銷售紗線、 坯布、染布及服裝	US\$187,500 187,500美元	100% 100%
Taizhou Texhong Weaving Co., Ltd. 泰州天虹織造有限公司	Taizhou, Mainland China 15 January 2000 limited liability company 中國泰州 二零零零年一月十五日 有限責任公司	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning 製造及銷售工業用 紡織品及高級混紗線	US\$2,625,000 2,625,000美元	100% 100%
Zhejiang Texhong Textile Co., Ltd. 浙江天虹紡織有限公司	Jinhua, Mainland China 18 May 2000 limited liability company 中國金華 二零零零年五月十八日 有限責任公司	Manufacturing and sales of industrial-use textile products, top-grade grey fabrics and blended-spinning 製造及銷售工業用 紡織品、高級坯布及混紗線	US\$3,350,000 3,350,000美元	100% 100%
Jiangsu Century Texhong Textile Co., Ltd. (formerly known as Jiangsu Xintian Textile Co., Ltd.) 江蘇世紀天虹紡織有限公司 (前稱江蘇新天紡織 有限公司)	Xuzhou, Mainland China 6 June 2000 limited liability company 中國徐州 二零零零年六月六日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, dyed cloth and dress; processing of cotton 製造及銷售紗線、坯布、 染布及服裝、加工棉花	US\$10,200,000(i) 10,200,000美元(i)	100% 100%
Taizhou Century Texhong Textile Limited 泰州世紀天虹紡織有限公司	Taizhou, Mainland China 23 April 2002 limited liability company 中國泰州 二零零二年四月二十三日 有限責任公司	Manufacturing and sales of industrial-use textile products and top-grade blended-spinning 製造及銷售工業用 紡織品及高級混紗線	US\$13,000,000(ii) 13,000,000美元(ii)	100% 100%
Zhejiang Century Texhong Textile Co., Ltd. 浙江世紀天虹紡織有限公司	Jinhua, Mainland China 10 May 2002 limited liability company 中國金華 二零零二年五月十日 有限責任公司	Manufacturing and sales of top-grade spinning and fire-resistant fabrics (excluding dyed fabrics) 製造及銷售高級精紗線及 防火纖維(染色纖維除外)	US\$2,650,000 2,650,000美元	100% 100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities 主要業務	Particulars of issued share capital or paid-in capital held 已發行或 繳入的股本	Interest 佔股
Nantong Century Texhong Textile Co., Ltd. 南通世紀天虹紡織有限公司	Nantong, Mainland China 7 June 2002 limited liability company 中國南通 二零零二年六月七日 有限責任公司	Manufacturing and sales of yarns, grey fabrics and dyed fabrics 製造及銷售紗線、坯布 及染布	US\$3,850,000(iii) 3,850,000美元(iii)	100% 100%
Xuzhou Century Texhong Textile Ltd. 徐州世紀天虹紡織有限公司	Xuzhou, Mainland China 13 January 2003 limited liability company 中國徐州 二零零三年一月十三日 有限責任公司	Manufacturing and sales of top-grade yarns and cloth spinning 製造及銷售高級紗線及 布料精紗線	US\$625,000 625,000美元	100% 100%
Xuzhou Texhong Yinfeng Textile Co., Ltd. 徐州天虹銀豐紡織有限公司	Xuzhou, Mainland China 12 May 2004 limited liability company 中國徐州 二零零四年五月十二日 有限責任公司	Manufacturing and sales of yarns, grey fabrics, cloth and dyed fabrics 製造及銷售紗線、坯布、 布料及染布	US\$4,200,000 4,200,000美元	100% 100%
Nantong Texhong Yin Hai Industrial Co., Ltd. 南通天虹銀海實業有限公司	Nantong, Mainland China 20 May 2004 limited liability company 中國南通 二零零四年五月二十日 有限責任公司	Manufacturing and sales of garment, textile knitting products, and yarns. 製造及銷售成衣、紡織與 織造產品及紗線	US\$500,000 500,000美元	100% 100%
Xuzhou Texhong Times Textile Co., Ltd. 徐州天虹時代紡織有限公司	Xuzhou, Mainland China 29 December 2004 limited liability company 中國徐州 二零零四年十二月二十九日 有限責任公司	Manufacturing and sales of top-grade yarns, thread, grey fabrics, textile knitting products, and garments. 製造及銷售高級紗線、線、 紡織與織造產品及成衣	US\$15,000,000 15,000,000美元	100% 100%
New Apex International Trading Limited 新銳國際貿易有限公司	Hong Kong, PRC 21 February 2005 limited liability company 中國香港 二零零五年二月二十一日 有限責任公司	Trading 貿易	1000 ordinary share of HK\$1 每股1港元 1000股 普通股	100% 100%
Texhong (China) Investment Co., Ltd. 天虹(中國)投資有限公司	Shanghai, Mainland China 21 June 2005 limited liability company 中國上海 二零零五年六月二十一日	Investment holding 投資控股	US\$30,000,000 30,000,000美元	100% 100%

33. PARTICULARS OF SUBSIDIARIES (Continued)

- (i) The Group is committed to contribute additional capital of US\$1,325,000 (equivalent of RMB10,693,000) into Jiangsu Century Texhong Textile Co., Ltd. within six months after 2 December 2005, all of which was contributed up to the date of approval of these financial statements.
- (ii) The Group is committed to contribute additional capital of US\$1,750,000 (equivalent of RMB14,123,000) into Taizhou Century Texhong Textile Co., Ltd. within three months after 12 December 2005, all of which was contributed up to the date of approval of these financial statements.
- (iii) The Group is committed to contribute additional capital of US\$1,100,000 (equivalent of RMB8,877,000) into Nantong Century Texhong Textile Co., Ltd. within three months after 9 December 2005, all of which was contributed up to the date of approval of these financial statements.

34. SUBSEQUENT EVENT

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

33. 附屬公司資料 (續)

- (i) 本集團已承諾於二零零五年十二月二日後六個月內額外注入資本1,325,000美元(相等於人民幣10,693,000元)予江蘇世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。
- (ii) 本集團已承諾於二零零五年十二月十二日後三個月內額外注入資本1,750,000美元(相等於人民幣14,123,000元)予泰州世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。
- (iii) 本集團已承諾於二零零五年十二月九日後三個月內額外注入資本1,100,000美元(相等於人民幣8,877,000元)予南通世紀天虹紡織有限公司,直至通過該等財務報表日期前,該款項已全數注資。

34. 結算日後事項

於二零零六年三月,本集團與ABN AMRO Bank N.V.,簽訂一項無抵押銀行融資10,000,000美元,於二零零七年三月到期。該銀行融資於年末後已全數動用,而有關附息借貸乃按以倫敦銀行同業拆息為基準的浮動利率計算。