

Chairman's Statement 主席報告書



Hong Tianzhu 洪天祝
Chairman 主席

On behalf of the board of directors (the "Board") of the Group, I am pleased to present to our shareholders the Group's annual results for the year ended 31 December 2006.

RESULTS

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

DIVIDEND

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

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

業績

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

股息

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

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OUTLOOK

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

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

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

展望

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

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

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

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OUTLOOK (Continued)

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

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

ACKNOWLEDGEMENT

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

Hong Tianzhu
Chairman

Hong Kong
18 April 2007

展望 (續)

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

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

鳴謝

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

洪天祝
主席

香港
二零零七年四月十八日