

Notes to the Consolidated Financial Statements

綜合財務報告附註

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

1. GENERAL INFORMATION

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

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 9 December 2004.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 Basis of preparation

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

1. 一般資料及呈列基準

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

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

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

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

2. 主要會計政策概要

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

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

2.1 編製基準

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

按照香港財務報告準則編製財務資料需運用若干重大會計估計。其亦需管理層於應用本集團會計政策過程中運用其判斷。涉及高程度的判斷或複雜性，或假設及估計對綜合財務報表為重要的範圍披露於附註4。此等估計及假設影響於財務報表日期之資產及負債之呈報金額及或然資產與負債之披露，以及年內收支之呈報金額。雖然此等估計乃建基於管理層對事件及行動所知，最終的實際結果可能有別於估計。

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 於二零零六年生效但與本集團業務無關之準則、修訂及詮釋

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

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

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

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

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

2. 主要會計政策概要(續)

2.2 綜合

綜合財務報表包括本公司及其附屬公司於十二月三十一日的財務報表。

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

附屬公司自控制權轉移予本集團當日起綜合入賬，並由控制權終止當日起剔除。

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

集團內部往來的餘額和集團內部交易及其產生的未實現利潤於合併對予以抵銷。內部交易產生的未實現損失亦予以抵銷，除非該交易可證明轉讓資產出現減值。對附屬公司的會計政策在必要時進行調整以確保其與本集團所採用的會計政策一致。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

In the Company's balance sheet the investments in subsidiaries are stated at cost less accumulated impairment losses, if any (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

2. 主要會計政策概要 (續)

2.2 綜合 (續)

於本公司之資產負債表，於附屬公司之投資乃以成本扣除累計減值虧損（如有）（附註2.8）後列賬。附屬公司之業績乃按本公司之已收及應收股息入賬。

2.3 分部報告

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

2.4 外幣換算

(a) 功能及呈報貨幣

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

(b) 交易及結餘

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

2. 主要會計政策概要 (續)

2.4 外幣換算 (續)

(c) 集團公司

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

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

在編製綜合帳時,折算海外業務投資淨額和折算被指定為此等投資之對沖項目的借貸及其他貨幣工具而產生的匯兌差異,均列入股東權益帳內。當出售部份或全部海外業務時,於權益入帳之匯兌差異將於收益表內確認為出售收益或虧損的一部分。

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Goodwill

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

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

2.6 Property, plant and equipment

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

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

2. 主要會計政策概要 (續)

2.5 商譽

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

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

2.6 物業、廠房及設備

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

只有在與項目相關的未來經濟效益有可能流入本集團，並能夠可靠地計量項目成本的情況下，本集團才會將其後成本計入為資產賬面值之一部分或確認為獨立資產項目(如適用)。所替換之部份的賬面值乃撇除確認。所有其他維護及保養費用均需於產生時於該財務期間之收益賬扣除。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

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

2. 主要會計政策概要(續)

2.6 物業、廠房及設備(續)

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

其他資產的折舊以直線法，將其成本值或重估值於其如下估計可用年限內攤銷其剩餘價值：

– 樓宇	15至40年
– 機器及設備	6至15年
– 傢俬及裝置	5至10年
– 汽車	5至7年

本集團在每個結算日重檢資產的剩餘價值及可用年限，並已按適當情況作出調整。

倘資產的賬面值大於其估計可收回金額，資產的賬面值即時減值至其可收回金額(附註2.8)。

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

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

2.8 Impairment of investments in subsidiaries and non-financial assets

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

2.9 Government grants

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

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. 主要會計政策概要 (續)

2.7 土地使用權

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

2.8 於附屬公司的投資及非財務資產減值

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

2.9 政府補助

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

與資產有關之政府補助乃於扣減補後以得出資產賬面值後在資產負債表呈列。

2.10 存貨

存貨以成本或可變現淨值兩者之較低者入賬。成本以加權平均法釐定。製成品及在製品之成本包括原料、直接勞工、其他直接成本及相關間接生產成本（按一般營運能力），其不包括借貸成本。可變現淨值則以一般業務過程中估計出售價格減應用可變銷售開支計算。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

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

2. 主要會計政策概要(續)

2.11 應收貿易款項及其他應收賬款

應收貿易款項及其他應收賬款最初按公允價值確認，其後按實際利率法攤薄成本減減值準備計算。應收貿易款項減值撥備是於有明顯證據表明本集團無法按應收款項之原有條款收回所有金額時確認。債務人如有嚴重財務困難，可能會破產或進行債務重組，及不能履行或違反付款協定均被視應收貿易款項減值的跡象。撥備金額為資產賬面值與按原訂實際利率估計未來現金流量的現值兩者的差額。資產之賬面值乃通過撥備賬的使用而扣減，而虧損金額在收益表一般及行政開支內確認。若應收貿易款項不能收回時，則會與應收貿易款項之撥備賬撇銷。若其後收回先前已撇銷之款項，則計入收益表內的一般及行政開支。

2.12 現金及現金等值物

現金及現金等值物包括手頭現金、其他到期日為三個月或以下的短期高流動性投資。

2.13 股本

普通股分類為股權。

與發行新股或購股權直接有關的增量成本，列入股權作為所得款項的減值。

2.14 應付貿易款項

應付貿易款項最初按公允價值確認，其後以實際利率法按攤銷成本計量。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.16 Deferred income tax

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

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

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

2. 主要會計政策概要 (續)

2.15 借貸

借貸最初乃按公允價值（扣除已產生之交易成本）確認。借貸其後按攤銷成本列賬，如扣除交易成本後之所得款項及贖回價值出現差額，則於借貸期內以實際利率法在收益表內確認。

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

2.16 遞延所得稅

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

遞延稅項資產只會在未來應課稅溢利有可能用作抵銷暫時差異時才會確認。

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

(c) Share-based compensation

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

2. 主要會計政策概要(續)

2.17 僱員福利

(a) 僱員所享有假期

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

(b) 退休金承擔

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

(c) 以股份作補償

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(c) Share-based compensation (Continued)

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

(d) Bonus plan

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

2.18 Provisions

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

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

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

2.19 Revenue recognition

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

2. 主要會計政策概要 (續)

2.17 僱員福利 (續)

(c) 以股份作補償 (續)

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

(d) 花紅計劃

本集團於合約規定或由過往做法產生推定責任時就花紅確認撥備。

2.18 撥備

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

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

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

2.19 收益確認

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

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

(a) *Sales of goods*

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

(b) *Subsidy income*

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

(c) *Commission income*

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

(d) *Interest income*

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

2. 主要會計政策概要(續)

2.19 收益確認(續)

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

(a) *貨品銷售*

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

(b) *補助收入*

補助收入代表不同政府部門提供之酌定補助。補助收入於接獲時確認。

(c) *佣金收入*

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

(d) *利息收入*

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowing costs

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

2.21 Contingent liabilities

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

2.22 Financial guarantees

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

2.23 Operating leases (as the lessee)

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

2. 主要會計政策概要 (續)

2.20 借貸成本

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

2.21 或然負債

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

2.22 財務擔保

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

2.23 經營租約（作為承租人）

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(i) *Foreign exchange risk*

The Group mainly operates in the Mainland China. Most of the Group's transactions, assets and liabilities are dominated in RMB and United States dollars ("USD"). Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures. The Group's exposure to foreign exchange risk is mainly attributable to its bank borrowings denominated in USD. When foreign exchange risk is considered to be significant, the Group would designate certain derivatives to mitigate the foreign currency risk associated.

(ii) *Credit risk*

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. It also has policies that limit the amount of credit exposure to any financial institution.

2. 主要會計政策概要 (續)

2.24 股息分派

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

3. 財務風險分析

3.1 財務風險因素

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

(i) *外匯風險*

本集團主要於中國大陸進行其營運活動。本集團大部份交易、資產及負債均以人民幣及美元計值。外匯風險亦來自日後進行之商業交易，已確認資產與負債以及於外國營運之投資淨額。本集團透過進行定期檢討及監察其外匯風險管理其外匯風險。本集團之外匯風險主要來自美元銀行借貸。若外匯風險被視為重大，本集團將訂定若干衍生工具以減低相關外匯風險。

(ii) *信貸風險*

本集團已制訂政策以確保銷售產品予良好信貸記錄的客戶。本集團亦對其客戶進行信貸評估。本集團亦訂有政策以限制面向任何金融機構之信貸風險金額。

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

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

The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank borrowings have been disclosed in Note 17. When interest rate risk is considered to be significant, the Group would enter into interest rate swaps to mitigate the related risks.

3.2 Fair value estimation

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

3. 財務風險分析 (續)

3.1 財務風險因素 (續)

(iii) 流動資金風險

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

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

3.2 公允價值估計

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4.1 Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors action in response to sever industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values may differ from estimated residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore changes in depreciation expenses in the future periods.

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

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

4. 重大會計估計及判斷

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

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

4.1 廠房、機器及設備之估計可使用年期及剩餘價值

本集團之管理層釐定其廠房、機器及設備之估計可使用年期及剩餘價值以及相關折舊費用。該估計乃根據類似性質及功能之廠房、機器及設備之實際可使用年期之過往經驗而釐定，並可能因技術創新及產業間之激烈競爭行為而有重大改變。當可使用年期少於先前之估計年期，管理層將增加折舊費用，或將撇銷或撇減已報廢或出售之技術廢舊或非策略性資產。實際經濟年期可能與估計之可使用年期不同，而實際剩餘價值可能與估計之剩餘價值不同。定期檢討可使可折舊年期及剩餘價值出現變動，因而引致未來期間之折舊開支有變。

4.2 物業、廠房及設備以及無形資產（商譽除外）之減值

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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

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

4.3 Net realisable value of inventories

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

4.4 Trade, bills and other receivables

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

4. 重大會計估計及判斷 (續)

4.2 呆賬估計撥備 (續)

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

4.3 存貨之可變現淨值

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

4.4 應收貿易及票據款項以及其他應收賬款

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.5 Income taxes

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

5. LAND USE RIGHTS

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

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

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

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

Amortisation expense has been included in general and administrative expenses.

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

4. 重大會計估計及判斷(續)

4.5 所得稅

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

5. 土地使用權

本集團於土地使用權的權益指預付營運租賃款項，其賬面淨值分析如下：

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

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

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

攤銷開支已計入一般及行政開支。

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

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6. PROPERTY, PLANT AND EQUIPMENT

6. 物業、廠房及設備

Group 本集團		Buildings 樓宇 RMB'000 人民幣千元	Machinery and equipment 機器及設備 RMB'000 人民幣千元	Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Con- struction in-progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2005	於二零零五年 一月一日						
Cost or valuation	成本或估值	100,452	314,114	3,291	5,288	466	423,611
Accumulated depreciation	累計折舊	(2,746)	(66,002)	(862)	(1,158)	-	(70,768)
Net book amount	賬面淨值	97,706	248,112	2,429	4,130	466	352,843
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 (Note 28)	出售(附註28)	-	(1,726)	(39)	(149)	-	(1,914)
Depreciation (Note 20)	折舊(附註20)	(5,047)	(28,141)	(629)	(1,132)	-	(34,949)
Closing net book amount	期末賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315
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
Year ended 31 December 2006	截至二零零六年 十二月三十一日止年度						
Opening net book amount	期初賬面淨值	94,532	259,603	3,164	6,461	234,555	598,315
Acquisition of a subsidiary (Note 31)	收購一家附屬公司 (附註31)	30,268	45,765	68	575	1,688	78,364
Additions	添置	5,223	37,699	4,075	3,543	156,333	206,873
Transfers	轉讓	82,177	245,397	-	-	(327,574)	-
Disposals (Note 28)	出售(附註28)	(1)	(1,593)	-	(1,126)	-	(2,720)
Depreciation (Note 20)	折舊(附註20)	(7,483)	(46,417)	(1,261)	(1,614)	-	(56,775)
Closing net book amount	期末賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057
At 31 December 2006	於二零零六年 十二月三十一日						
Cost or valuation	成本或估值	219,793	679,067	8,797	10,751	65,002	983,410
Accumulated depreciation	累計折舊	(15,077)	(138,613)	(2,751)	(2,912)	-	(159,353)
Net book amount	賬面淨值	204,716	540,454	6,046	7,839	65,002	824,057

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings with net book amount of RMB83,278,000 (2005: RMB87,378,000) were stated at open market value at 30 September 2004, based on a valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified valuers. The revaluation surplus, net of applicable deferred income tax liabilities, was credited to revaluation reserve in equity (Note 14).

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

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

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

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

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

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

6. 物業、廠房及設備 (續)

根據獨立合資格估值公司戴德梁行有限公司進行的估值，賬面淨值為人民幣83,278,000元(二零零五年：人民幣87,378,000元)的樓宇以於二零零四年九月三十日的公開市場價值列賬。重估盈餘扣除適用的遞延所得稅負債，計入股本內的重估儲備(附註14)。

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

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

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

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

倘樓宇以歷史成本法列賬，金額將為如下：

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

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Group 本集團		Machinery and equipment		Furniture and fixtures	Motor vehicles	Con- struction in-progress	Total 總計
		Buildings 樓宇	機器及設備	傢俬及裝置	汽車	在建工程	
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 31 December 2006	於二零零六年 十二月三十一日						
At cost	按成本	119,446	679,067	8,797	10,751	65,002	883,063
At valuation	按估值	100,347	-	-	-	-	100,347
		<u>219,793</u>	<u>679,067</u>	<u>8,797</u>	<u>10,751</u>	<u>65,002</u>	<u>983,410</u>

6. 物業、廠房及設備 (續)

以上資產於二零零六年十二月三十一日的成本或估值分析為如下：

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

Group 本集團		Machinery and equipment		Furniture and fixtures	Motor vehicles	Con- struction in-progress	Total 總計
		Buildings 樓宇	機器及設備	傢俬及裝置	汽車	在建工程	
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 31 December 2005	於二零零五年 十二月三十一日						
At cost	按成本	1,978	353,362	4,654	8,573	234,555	603,122
At valuation	按估值	100,347	-	-	-	-	100,347
		<u>102,325</u>	<u>353,362</u>	<u>4,654</u>	<u>8,573</u>	<u>234,555</u>	<u>703,469</u>

以上資產於二零零五年十二月三十一日的成本或估值分析為如下：

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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

At 1 January 2005	於二零零五年一月一日	
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)
Net book amount	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>
Year ended 31 December 2006	截至二零零六年十二月三十一日 止年度	
Opening net book amount	期初賬面淨值	461
Additions	添置	637
Depreciation	折舊	(308)
Net book amount	賬面淨值	<u>790</u>
At 31 December 2006	於二零零六年十二月三十一日	
Cost	成本	1,206
Accumulated depreciation	累計折舊	(416)
Net book amount	賬面淨值	<u>790</u>

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

Investments, at cost	按成本投資
Unlisted shares	非上市股份
Due from subsidiaries	應收附屬公司款項
Due to a subsidiary	應付附屬公司款項

Particulars of the principal subsidiaries of the Company are set out in Note 33.

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

8. INVENTORIES

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

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

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

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

7. 於附屬公司的投資及應收／應付附屬公司款項—本公司

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

本集團主要附屬公司詳情載於附註33。

應收／應付附屬公司款項為無抵押、免息且須予一年內償還。

8. 存貨

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

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

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

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

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9. TRADE AND BILLS RECEIVABLES

9. 應收貿易及票據款項

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

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

應收貿易及票據款項的公允價值接近其賬面值。

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

本集團授予其客戶的信貸期一般為90日內。應收貿易及票據款項的賬齡分析如下：

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

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

由於本集團擁有大批客戶，故應收貿易款項無集中的信貸風險。

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

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

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(除另有指明外，所有金額以人民幣計值)

9. TRADE AND BILLS RECEIVABLES (Continued)

Trade and bills receivables are denominated in the following currencies:

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
RMB	人民幣	211,617	143,407
United States dollars	美元	19,736	22,052
Hong Kong dollars	港元	-	8
		231,353	165,467

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

9. 應收貿易及票據款項 (續)

應收貿易及票據款項的計值貨幣如下：

本集團已就其於二零零六年十二月三十一日止年度應收貿易款項減值確認虧損人民幣712,000元(二零零五年：人民幣356,000元)。虧損已包括在收益表一般及行政開支內。

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

10. 預付款項、按金及其他應收賬款

預付款項、按金及其他應收賬款的公允價值接近其賬面值。

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11. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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

Pledged bank deposits and cash and cash equivalents were:

11. 已抵押銀行存款及現金及現金等值物

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

已抵押銀行存款及現金及現金等值物為：

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

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

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

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

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

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

已抵押銀行存款及現金及現金等值物的計值貨幣如下：

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

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

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

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12. SHARE CAPITAL

12. 股本

		Ordinary shares of HK\$0.1 each	
		每股面值0.1港元的普通股	
		Number of shares	
		股份數目	
		'000	HK\$'000
		千股	千港元
Authorised:	法定：		
At 31 December 2005 and 2006	於二零零五年及二零零六年 十二月三十一日	4,000,000	400,000
Issued and fully paid:	已發行及繳足：		
At 31 December 2005 and 2006	於二零零五年及二零零六年 十二月三十一日	872,000	87,200

13. SHARE OPTIONS

13. 購股權

(i) Pre-IPO Share Option Scheme

On 21 November 2004, the Company granted 4,342,000 options to certain senior management of the Group under a Pre-IPO Share Option Scheme to subscribe for shares in the Company at HK\$0.69 per share, exercisable over the period from 9 June 2005 to 8 June 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All options remained outstanding as at 31 December 2006.

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

(i) 購股權計劃

於二零零四年十一月二十一日，本公司根據首次公開發售前購股權計劃向若干本集團高級管理層授出4,342,000份購股權，以按每股0.69港元之價格認購本公司之股份，此等購股權可於二零零五年六月九日至二零零八年六月八日期間行使。本集團並無法律或實際責任以現金購回或清償購股權。所有購股權於二零零六年十二月三十一日尚未行使。

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

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13. SHARE OPTIONS (Continued)

(ii) Post-IPO Share Option Scheme

Pursuant to a shareholders' resolution passed on 21 November 2004, the Company adopted a share option scheme ("the Share Option Scheme"), which will remain in force for a period of 10 years up to November 2014. Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any employee, director, supplier of goods or services, customer, person or entity that provides research, development or other technological support to the Group, shareholder and adviser or consultant of the Group to subscribe for shares in the Company at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date of the offer of grant; or (ii) the average closing price of shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of a share. A nominal consideration of HK\$1 (equivalent of RMB1.04) is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group from time to time must not in aggregate exceed 30% of the share capital of the Company in issued from time to time. At 31 December 2006, no options had been granted under the Share Option Scheme (2005: Nil).

13. 購股權 (續)

(ii) 首次公開發售後購股權計劃

根據本公司二零零四年十一月二十一日之股東決議案，本公司已批准採納一項購股權計劃（「購股權計劃」），於截至二零一四年十一月止十年期間將仍屬有效。根據購股權計劃，本公司董事可全權酌情向任何僱員、董事、貨品或服務供應商、客戶、為本集團提供研究、發展或其他技術支援的個人或實體、股東及本集團顧問或諮詢人授出購股權，以認購本公司股份，惟價格不低於下列較高者：(i) 於授出要約日期在聯交所每日報價表所列出的股份收市價；或(ii) 於緊接授出要約日期前五個交易日的聯交所每日報價表所列出的股份平均收市價；或(iii) 股份的面值。1港元的名義代價於（相當約人民幣1.04元）於接納授出購股權要約時支付。在購股權計劃及本集團不時採納的任何其他購股權計劃以下所有授出有待行使購股權獲行使時最高可予發行的股份數目合計不得超過本公司不時發行股本的30%。於二零零六年十二月三十一日，概無購股權根據購股權計劃授出（二零零五年：無）。

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14. RESERVES

14. 儲備

		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve ⁽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	Group 本集團 Revaluation reserve 重估儲備 RMB'000 人民幣千元	Retained earnings 保留溢利 RMB'000 人民幣千元	Total 小計 RMB'000 人民幣千元
Balance at 1 January 2005	於二零零五年一月一日的結餘	175,384	162,041	37,328	33,854	74,222	482,829
Employee share option scheme	僱員購股權計劃						
– value of employee services	– 僱員服務價值	433	–	–	–	–	433
Transfer to statutory reserves	轉撥至法定儲備	–	–	21,167	–	(21,167)	–
Transfer from revaluation reserve to retained earnings	轉撥重估儲備至保留溢利						
– gross	– 毛額	–	–	–	(3,009)	3,009	–
– deferred income tax	– 遞延所得稅	–	–	–	311	(311)	–
		175,817	162,041	58,495	31,156	55,753	483,262
Profit for the year	年度溢利	–	–	–	–	180,210	180,210
Balance at 31 December 2005	於二零零五年十二月三十一日的結餘	175,817	162,041	58,495	31,156	235,963	663,472
Balance at 1 January 2006, as per above	於二零零六年一月一日的結餘，如上文所列	175,817	162,041	58,495	31,156	235,963	663,472
Transfer to statutory reserves	轉撥至法定儲備	–	–	21,172	–	(21,172)	–
Transfer from revaluation reserve to retained earnings	轉撥重估儲備至保留溢利						
– gross	– 毛額	–	–	–	(2,218)	2,218	–
– deferred income tax (Note 18)	– 遞延所得稅 (附註18)	–	–	–	528	(528)	–
		175,817	162,041	79,667	29,466	216,481	663,472
Profit for the year	年度溢利	–	–	–	–	190,536	190,536
Dividend relating to 2005	有關二零零五年股息	–	–	–	–	(59,296)	(59,296)
Dividend relating to 2006	有關二零零六年股息	–	–	–	–	(25,905)	(25,905)
Balance at 31 December 2006	於二零零六年十二月三十一日的結餘	175,817	162,041	79,667	29,466	321,816	768,807

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14. RESERVES (Continued)

14. 儲備 (續)

		Company 本公司			
		Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve ⁽ⁱ⁾ 股本儲備 ⁽ⁱ⁾ RMB'000 人民幣千元	Retained earnings 保留溢利 RMB'000 人民幣千元	Total 小計 RMB'000 人民幣千元
Balance at 1 January 2005	於二零零五年 一月一日的結餘	175,384	172,319	(3,933)	343,770
Profit for the year	年度溢利	–	–	64,939	64,939
Employee share option scheme – value of employee services	僱員購股權計劃 – 僱員服務價值	433	–	–	433
Balance at 31 December 2005	於二零零五年十二月 三十一日的結餘	<u>175,817</u>	<u>172,319</u>	<u>61,006</u>	<u>409,142</u>
Balance at 1 January 2006, as per above	於二零零六年一月一日 的結餘，如上文所列	175,817	172,319	61,006	409,142
Profit for the year	年度溢利	–	–	72,276	72,276
Dividend relating to 2005	有關二零零五年股息	–	–	(59,296)	(59,296)
Dividend relating to 2006	有關二零零六年股息	–	–	(25,905)	(25,905)
Balance at 31 December 2006	於二零零六年十二月 三十一日的結餘	<u>175,817</u>	<u>172,319</u>	<u>48,081</u>	<u>396,217</u>

Notes:

- (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.

附註:

- (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。

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15. TRADE AND BILLS PAYABLES

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

15. 應付貿易款項及票據款項

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

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

應付貿易款項及票據款項的賬齡分析如下：

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

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

Trade and bills payables are denominated in the following currencies:

應付貿易款項及票據款項的計值貨幣如下：

RMB 人民幣
United States dollars 美元
Hong Kong dollars 港元

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

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16. ACCRUALS AND OTHER PAYABLES

16. 預提費用及其他應付賬款

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

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

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

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17. BORROWINGS

17. 借貸

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

Notes:

附註:

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

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

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

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

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

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

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

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

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

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

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17. BORROWINGS (Continued)

Notes: (Continued)

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

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

17. 借貸 (續)

附註: (續)

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

於二零零六年十二月三十一日，本集團貸款的還款期如下：

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

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

借貸的賬面值按以下貨幣計值：

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

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

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

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17. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

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

17. 借貸(續)

本集團有以下未動用借貸融資：

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

非流動借貸之賬面值及公允價值如下：

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

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

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

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18. DEFERRED INCOME TAX

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

18. 遞延所得稅

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

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

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18. DEFERRED INCOME TAX (Continued)

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

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

18. 遞延所得稅(續)

遞延所得稅賬之總變動如下:

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

若不考慮同一稅項司法權區內結餘之抵銷，遞延稅項資產及負債於年內之變動如下:

Deferred income tax assets:

遞延所得稅資產:

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

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18. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities:

18. 遞延所得稅(續)

遞延所得稅負債：

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

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB89,000 (2005: RMB3,249,000) in respect of losses amounting to RMB372,000 (2005: RMB9,866,000) that can be carried forward against future taxable income. The deferred tax benefit of such tax losses was not recognised as it was not probable that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire in year 2011 (2005: year 2010).

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

遞延所得稅資產乃就結轉之稅項虧損確認，惟以有可能透過日後之應課稅溢利變現有關稅項利益為限。本集團並無就人民幣372,000元(二零零五年：9,866,000元)的虧損(可結轉至將來應課稅收入)確認遞延所得稅資產人民幣89,000元(二零零五年：人民幣3,249,000元)。因未來應無足夠的應課稅利潤可用作抵銷待彌補稅務虧損，故並無確認該稅項虧損的遞延稅項利益。有關稅項虧損將於二零一一年到期(二零零五年：二零一零年)。

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

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19. REVENUE AND SEGMENT INFORMATION

(i) Sales and other gains

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

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

(ii) Segment information

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

19. 收益及分類資料

(i) 營業額及其他收入

本集團主要業務為製造及銷售紗線、坯布及染色布料。確認的收益如下：

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

(ii) 分部資料

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

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20. EXPENSES BY NATURE

20. 開支 (以性質分類)

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

21. EMPLOYMENT COSTS

21. 員工成本

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

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21. EMPLOYMENT COSTS (Continued)

Notes:

(a) Pension – defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group has participated in state-sponsored defined contribution retirement plans for its employees in Mainland China. The Group and the eligible employees are required to contribute 12% to 22% and 7% to 8%, respectively, of the employees' basic salary at rates as stipulated by the relevant municipal governments. The Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees. For the year ended 31 December 2006, the Group contributed approximately RMB13,807,000 (2005: RMB7,653,000) to the aforesaid state-sponsored retirement plans. As at 31 December 2006, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2005: Nil).

In addition, all of the Group's employees in Mainland China participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by governmental authorities. For the year ended 31 December 2006, the Group contributed approximately RMB6,518,000 (2005: RMB6,401,000) to these plans.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident fund legislation, and both the Group and the employees' contributions are subject to a cap of HK\$1,000 per month. For the year ended 31 December 2006, the Group contributed approximately RMB76,000 (2005: RMB24,000) to the MPF Scheme.

21. 員工成本 (續)

附註:

(a) 退休 – 界定供款計劃

根據中國大陸規則及法規規定，本集團已為其中國大陸僱員參與國家資助的定額供款退休計劃，本集團及合資格僱員須分別就僱員基本薪金的12%至22%及7%至8%作出供款，比率由有關市政府規定。除此項年度供款外，本集團對其任何實際退休金支出或退休後福利則毋須再作任何承擔，退休僱員的所有退休金支出概由國家資助退休計劃承擔。截至二零零六年十二月三十一日止年度，本集團向上述國家資助退休計劃分別供款約人民幣13,807,000元（二零零五年：人民幣7,653,000元）。於二零零六年十二月三十一日，本集團並無獲得任何沒收的供款的權利以減低本集團於上述供款計劃日後的供款（二零零五年：無）。

另外，本集團所有中國大陸僱員均參與由政府部門舉辦及統籌的僱員社會保障計劃，該等計劃包括醫療福利、房屋福利及其他福利。截至二零零六年十二月三十一日止年度，本集團向此等計劃供款約人民幣6,518,000元（二零零五年：人民幣6,401,000元）。

本集團已安排香港僱員參加強制性公積金計劃（「強積金計劃」），屬於由獨立信託人管理的界定供款計劃。於強積金計劃，本集團及其各位香港僱員兩者均會按強積金法例所界定的僱員收入5%向計劃供款。本集團及僱員供款設有每月1,000港元的上限。截至二零零六年十二月三十一日止年度，本集團向強積金計劃供款約人民幣76,000元（二零零五年：人民幣24,000元）。

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21. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

(b) Directors' emoluments

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

Name of Director	董事姓名	Fees RMB'000 人民幣千元	Salaries RMB'000 人民幣千元	Bonuses RMB'000 人民幣千元	Other benefits (i) RMB'000 人民幣千元	Employer's contribution to pension scheme	Total RMB'000 人民幣千元
						退休計劃 僱主供款 RMB'000 人民幣千元	
Executive directors		執行董事					
Hong Tianzhu	洪天祝	-	666	-	307	18	991
Zhu Yongxiang	朱永祥	-	720	480	12	18	1,230
Gong Zhao	龔照	-	382	340	12	18	752
Tang Daoping	湯道平	-	360	600	12	18	990
Independent non-executive directors		獨立非執行董事					
Ting Leung Huel, Stephen	丁良輝	172	-	-	-	-	172
Cheng Longdi	程隆楝	74	-	-	-	-	74
Zhu Lanfen	朱蘭芬	74	-	-	-	-	74
		320	2,128	1,420	343	72	4,283

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

截至二零零五年十二月三十一日應付予
每位董事的酬金如下：

Name of Director	董事姓名	Fees RMB'000 人民幣千元	Salaries RMB'000 人民幣千元	Bonuses RMB'000 人民幣千元	Other benefits (i) RMB'000 人民幣千元	Employer's contribution to pension scheme	Total RMB'000 人民幣千元
						退休計劃 僱主供款 RMB'000 人民幣千元	
Executive directors		執行董事					
Hong Tianzhu	洪天祝	-	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
Independent non-executive directors		獨立非執行董事					
Ting Leung Huel, Stephen	丁良輝	153	-	-	-	-	153
Cheng Longdi	程隆楝	51	-	-	-	-	51
Zhu Lanfen	朱蘭芬	51	-	-	-	-	51
		255	2,545	1,598	44	68	4,510

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

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

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21. EMPLOYMENT COSTS (Continued)

Notes: (Continued)

(b) Directors' emoluments (Continued)

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

(c) Five highest paid individuals

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

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

21. 員工成本 (續)

附註: (續)

(b) 董事酬金 (續)

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

(c) 五位最高薪酬人士

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

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

22. FINANCE COSTS – NET

22. 財務開支 – 淨額

Interest expense:

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

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

Exchange gain (Note 24)

匯兌收益 (附註24)

Finance costs

財務支出

Finance income – Interest income on short-term bank deposits

財務收入 – 短期銀行存款利息收入

Net finance costs

財務費用淨額

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

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23. INCOME TAX EXPENSE

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

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

- (i) **Hong Kong profits tax**
No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2005: Nil).
- (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. and Changzhou Texhong Textile Co., Ltd., all other subsidiaries of the Company established in Mainland China, being wholly foreign owned enterprises, have obtained approvals from the relevant Mainland China Tax Bureau for their entitlement of exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

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

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

23. 所得稅開支

於綜合收益表扣除的稅項金額如下：

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

- (i) **香港利得稅**
由於本集團於年內並無在香港產生任何應課稅溢利，故並無就香港利得稅作出撥備 (二零零五年：零)。
- (ii) **中國大陸企業所得稅 (「企業所得稅」)**
於中國大陸成立的附屬公司須於年內按企業所得稅率 15% 至 33% 繳納企業所得稅。

除天虹 (中國) 投資有限公司及常州天虹紡織有限公司外，本公司所有其他於中國大陸成立的附屬公司均為外商獨資企業，已根據適用於中國大陸外資企業的有關稅項規則及規定，取得有關中國大陸稅務局之批准，有權於抵銷所有過往年度結轉的所有未到期應稅虧損後首個獲利年度起，免繳企業所得稅兩年，其後三年則獲稅率減半優惠。

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

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

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23. INCOME TAX EXPENSE (Continued)

(iii) Overseas income tax

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the then International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax. The Company's subsidiaries established in Macao and Vietnam are loss-making in 2006, therefore they were not subject to Macao and Vietnam income tax in 2006.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

23. 所得稅開支(續)

(iii) 海外所得稅

本公司根據開曼群島公司法於開曼群島註冊成立為獲豁免有限公司，因此，本公司獲豁免繳納開曼群島所得稅。本公司於英屬處女群島成立的附屬公司按英屬處女群島當時國際商業公司法註冊成立，因此獲豁免繳納英屬處女群島所得稅。本公司於澳門及越南成立的附屬公司於二零零六年錄得虧損，因此於二零零六年毋須繳納澳門及越南所得稅。

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

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	214,794	197,075
Tax calculated at domestic tax rates applicable to profits in the respective countries	按適用於有關國家溢利的國內稅率計算的稅項	67,933	63,847
Effect of tax exemption/reduction	稅項寬免／寬減的影響	(42,326)	(50,075)
Expenses not deductible for tax purposes	未就稅項扣減的開支	5,378	1,650
Tax losses for which no deferred income tax asset was recognised	無確認遞延所得稅資產的稅項虧損	89	3,249
Utilisation of previously unrecognised tax losses	抵銷之前未確認稅項虧損	—	(598)
Deferred income tax assets recognised for previously unrecognised tax losses	就之前未確認稅項虧損確認遞延所得稅資產	—	(1,208)
Income tax credit granted for qualified purchases of domestic equipment	就購買符合規格內地設備的所得稅抵免	(6,816)	—
		24,258	16,865

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

加權平均應用稅率為32% (二零零五年: 32%)。

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24. NET FOREIGN EXCHANGE LOSSES

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

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

24. 外匯虧損淨額

於綜合收益表確認之兌換差額包括在以下項目：

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

25. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

25. 本公司股權持有人應佔溢利

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

26. EARNINGS PER SHARE

(a) Basic

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

26. 每股盈利

(a) 基本

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

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

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

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26. EARNINGS PER SHARE (Continued)

(b) Diluted

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

26. 每股盈利 (續)

(b) 攤薄

每股攤薄盈利乃按調整已發行普通股股份的加權平均數計算，並假設所有購股權獲得轉換。就購股權而言，將按未行使購股權所附認購權的貨幣價值為基準計算以釐定可按公允價值（以本公司平均年度市場股價計算）收購的股份數目。並將上述計算所得的股份數目與已發行的股份數目（假設購股權已獲全面行使）作出比較。

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

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27. DIVIDENDS

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

27. 股息

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

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

28. CASH GENERATED FROM OPERATIONS

28. 營運所得現金

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

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28. CASH GENERATED FROM OPERATIONS (Continued)

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

Net book amount (Note 6)	賬面淨值(附註6)
(Loss)/profit on disposal of property, plant and equipment	銷售物業、廠房及設備所得(虧損)/溢利
Proceeds from disposal of property, plant and equipment	銷售物業、廠房及設備的所得款項

28. 營運所得現金(續)

於現金流量表，銷售物業、廠房及設備的所得款項包括：

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
2,720	1,914
(849)	646
1,871	2,560

29. CONTINGENCIES

The Group had contingent liabilities not provided for as follows:

Government grants obtained from the Management Committee of Taizhou Economic Development Zone (Note (i))	來自泰州經濟開發區管理委員會的政府補助(附註(i))
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29. 或然事項

本集團未作撥備的或然負債如下：

Group 本集團		Company 本公司	
2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
21,889	21,889	-	-

Note:

- (i) During the year ended 31 December 2002, Taizhou Century Texhong Textile Co., Ltd., a wholly owned subsidiary, acquired a plot of land in Mainland China for RMB26,289,000 and paid RMB4,400,000, with the remaining balance of RMB21,889,000 covered by government grants (Note 6). The Group has obtained a confirmation from the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, that the amount of RMB21,889,000 represents grants to Taizhou Century Texhong Textile Co., Ltd. by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, and such an amount had been settled by the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, with the relevant Land Resources Bureau of Taizhou City and the Group will not be responsible for the payment of such an amount. However, in case that the Management Committee of Taizhou Economic Development Zone, Jiangsu Province, is not the appropriate authority responsible for the settlement, the Group may be liable to pay the balance of the acquisition cost amounting to RMB21,889,000.

附註：

- (i) 於截至二零零二年十二月三十一日止年度，全資附屬公司泰州世紀天虹紡織有限公司以人民幣26,289,000元購入一塊幅位於中國大陸的土地，已支付人民幣4,400,000元，餘款人民幣21,889,000元以政府撥付支付(附註6)。本集團已獲江蘇省泰州經濟開發區管理委員會確認，該人民幣21,889,000元為江蘇省泰州經濟開發區管理委員會給予泰州世紀天虹紡織有限公司的撥付，江蘇省泰州經濟開發區管理委員會已連同有關的泰州市土地資源管理局支付該筆款項，本集團將不負責支付該筆款項。然而，倘江蘇省泰州經濟開發區管理委員會並非支付該筆款項的適當機構，則本集團或須支付收購成本的餘額人民幣21,889,000元。

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29. CONTINGENCIES (Continued)

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

30. COMMITMENTS

(i) Capital commitments

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

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

(ii) Operating lease commitments

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

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

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

29. 或然事項 (續)

本公司董事及本集團的管理層預期上述或然事項不會產生重大負債。

30. 承擔

(i) 資本承擔:

於結算日的資本開支(但未產生)為如下:

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

(ii) 經營租賃承擔

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

根據不可撤銷經營租賃之未來最低租賃款項總額如下:

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

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31. BUSINESS COMBINATION

(a) Acquisition of a subsidiary

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

Details of net assets acquired and goodwill are as follows:

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

Goodwill

31. 業務合併

(a) 收購一間附屬公司

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

所收購之資產淨值以及相關的詳情如下：

	<i>RMB'000</i> 人民幣千元
收購代價：	
– 已付現金	–
所收購資產之公允價值	
– 載於下文	(888)
	<hr/>
商譽	888

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31. BUSINESS COMBINATION (Continued)

(a) Acquisition of a subsidiary (Continued)

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

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

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

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

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

31. 業務合併(續)

(a) 收購一間附屬公司(續)

從收購產生的資產及負債於二零零六年九月三十日之情況如下:

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

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

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

截至二零零五年十二月三十一日止年度內並無收購事項。

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31. BUSINESS COMBINATION (Continued)

(b) Impairment assessment of goodwill

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

32. RELATED PARTY TRANSACTIONS

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

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

Name of related party

關聯方名稱

Hong Tianzhu

洪天祝

New Green Group Limited

Nantong Shuanghong Textile Co., Ltd.

南通雙虹紡織品有限公司

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

天虹印染(無錫)有限公司

Nantong Textile Group Co., Ltd.

南通紡織控股集團紡織染有限公司

31. 業務合併(續)

(b) 商譽之減值評估

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

32. 與關聯方的交易

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

本公司董事及本集團的管理層認為下列公司／人士為本集團的關聯方：

Relationship with the Group

與本集團的關係

Director

董事

Shareholder

股東

Controlled by Hong Tianzhu, a director

由董事洪天祝控制

Controlled by Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu, a director

由香港天虹實業有限公司(董事洪天祝控制的公司)控制

Associate company of Hongkong Tinhong Industrial Co., Ltd., a company controlled by Hong Tianzhu, a director

香港天虹實業有限公司(董事洪天祝控制的公司)的聯營公司

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32. RELATED PARTY TRANSACTIONS (Continued)

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

(a) Sales of goods

Sales of goods:	銷售貨品：
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	— 天虹印染(無錫)有限公司
– Nantong Textile Group Co., Ltd.	— 南通紡織控股集團紡織染有限公司

(b) Purchases of goods

Purchases of goods	購買貨品：
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	— 天虹印染(無錫)有限公司
– Nantong Textile Group Co., Ltd.	— 南通紡織控股集團紡織染有限公司

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.

32. 與關聯方的交易(續)

本集團與其關聯方進行下列重大交易如下—

(a) 銷售貨品

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

(b) 採購貨品

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

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

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32. RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties

The Group had the following significant balances with related parties

Trade receivables from related parties (Note 9)	應收關聯方的貿易款項 (附註9)
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
– Nantong Textile Group Co., Ltd.	– 南通紡織控股集團紡織染有限公司

Deposits from related parties (Note 16)	來自關聯方的訂金 (附註16)
– Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	– 天虹印染(無錫)有限公司
– Nantong Textile Group Co., Ltd.	– 南通紡織控股集團紡織染有限公司

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

(d) Key management compensation

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

32. 與關聯方的交易 (續)

(c) 關聯方的重大結餘：

本集團與關聯方的重大結餘如下：

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

與關聯方的結餘為無抵押、免息及須於一年內償還。

(d) 主要管理層薪酬

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

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33. PARTICULARS OF SUBSIDIARIES

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

33. 附屬公司資料

以下表列於二零零六年十二月三十一日的重大附屬公司：

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
Directly held— 直接持有—				
Texhong Textile Holdings Limited 天虹紡織控股有限公司	British Virgin Islands 26 May 2004 limited liability company 英屬處女群島 二零零四年五月二十六日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	100 ordinary shares of USD1 each 100股 每股1美元 普通股	100%
Texhong Textile Investment Limited 天虹紡織投資有限公司	British Virgin Islands 9 December 2004 limited liability company 英屬處女群島 二零零四年十二月九日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	1 ordinary share of USD1 1股 每股1美元 普通股	100%
Sunray International Holdings Limited (formerly known as New Apex International Limited) 新銳國際控股有限公司 (前稱新銳國際有限公司)	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 in British Virgin Islands 於英屬處女群島 投資控股	1 ordinary share of USD1 1股 每股1美元 普通股	100%
Texhong Vietnam Investment Limited 天虹越南投資有限公司	British Virgin Islands 6 September 2006 limited liability company 英屬處女群島 二零零六年九月六日 有限責任公司	Investment holding in British Virgin Islands 於英屬處女群島 投資控股	USD50,000 50,000美元	100%

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33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

Name 名稱	Place and date of incorporation and kind of legal entity 註冊成立地點及 日期及法律實體類別	Principal activities and place of operations 主要業務	Particulars of issued share capital or paid-in capital 已發行或 繳入的股本	Interest 佔股
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 in Mainland China 於中國大陸製造及銷售 紗線及坯布	USD193,750 193,750美元	100% 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 in Mainland China 於中國大陸製造及銷售 紗線、坯布、染布及服裝	USD350,000 350,000美元	100% 100%
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 in Mainland China 於中國大陸製造及銷售 紗線、坯布、染布及服裝	USD187,500 187,500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 in Mainland China 於中國大陸製造及銷售工業 用紡織品及高級混紗線	USD2,625,000 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 in Mainland China 於中國大陸製造及銷售工業 用紡織品、高級坯布及 混紗線	USD3,350,000 3,350,000美元	100% 100%

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33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

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

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

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

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

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

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

33. PARTICULARS OF SUBSIDIARIES (Continued)

33. 附屬公司資料 (續)

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