

The Directors of the Company submit their report together with the audited accounts of the Company for the year ended 31 December 2005.

### GROUP REORGANISATION

The Company was incorporated on 12 July 2004 as an exempted company with limited liability in the Cayman Islands. On 27 July 2004, an aggregate of 1,000,000 shares ("Shares", each a "Share") of HK\$0.10 each in the share capital of the Company were allotted and issued nil paid, as to 999,999 Shares to New Green Group Limited; and as to the remaining one Share to Codan Trust Company (Cayman) Limited, which was transferred to New Green Group Limited on the same date.

In preparation for the listing of the Shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Company and its subsidiaries (the "Group") underwent reorganisation of its structure. The reorganisation involved the transfer to the Company by New Green Group Limited an aggregate of 100 shares with par value of US\$1 each, being the entire issued share capital of Texhong Textile Holdings Limited, the intermediate holding company of the Group incorporated in the British Virgin Islands on 26 May 2004, in consideration and in exchange of for which, the Company (i) allotted and issued, credited as fully paid, an aggregate of 1,000,000 new Shares, as to 200,000 Shares to New Green Group Limited and as to 500,000, 260,000 and 40,000 Shares to Trade Partner Investments Limited, Wisdom Grace Investments Limited and Flourish City Investments Limited, respectively, as directed by New Green Group Limited; and (ii) credited as fully paid at part the 1,000,000 nil-paid Shares then held by New Green Group Limited. Upon completion of the reorganisation, the Company became the holding company of the Group. Please refer to the Prospectus for details of the aforesaid reorganisation.

The Shares of the Company have been listed on the Main Board of the HKSE since 9 December 2004.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of yarns, grey fabrics and garment fabrics. The principal activities of each of the subsidiaries of the Company are set out in note 33 to the accompanying financial statements.

No segment information is presented as the Group operates in one business and one geographical segment – manufacture and sale of yarns, grey fabrics and garment fabrics in Mainland China. No geographical analysis of assets, liabilities and capital expenditures is presented as substantially all of the Group's assets, liabilities and capital expenditures were located in Mainland China.

本公司董事提呈截至二零零五年十二月三十一日止年度之報告連同本公司經審核賬目。

### 集團重組

本公司於二零零四年七月十二日在開曼群島註冊成立為一間獲豁免有限公司。於二零零四年七月二十七日，於本公司股本中配發及發行合共1,000,000股每股面值0.10港元之未繳股份（「股份」為每一股「股份」），其中999,999股股份予New Green Group Limited，而餘下一股股份則予Codan Trust Company (Cayman) Limited，而該1股股份隨後已於同日轉讓予New Green Group Limited。

為籌備股份於香港聯合交易所有限公司主板上市，本公司及其附屬公司（「本集團」）進行架構重組。該重組包括New Green Group Limited將本集團之中間控股公司天虹紡織控股有限公司（於二零零四年五月二十六日在英屬處女群島註冊成立）之全部已發行股本即合共100股面值1美元之股份轉讓予本公司，以作為本公司(i)配發及發行合共1,000,000股入賬列作繳足新股份，其中200,000股股份給予New Green Group Limited以及500,000股、260,000股及40,000股股份按New Green Group Limited的指示分別給予Trade Partner Investments Limited、Wisdom Grace Investments Limited及Flourish City Investments Limited；及(ii)將New Green Group Limited當時持有之1,000,000股未繳股份部份入賬列作繳足之代價及交換條件。於重組完成後，本公司成為本集團之控股公司。有關上述重組之詳情請參閱本公司的招股章程。

本公司之股份自二零零四年十二月九日已於香港聯交所主板上市。

### 經營之主要活動及地區分析

本公司為一間投資控股公司。本集團主要從事生產及銷售紗線、坯布及面料。本公司各附屬公司之主要業務活動載於隨附之財務報告附註33。

由於本集團只於同一地區經營單一營業務（於中國大陸生產及銷售紗線、坯布及面料），故概無提呈任何分類資料。由於本集團全部資產、負債及資本開支均位於及來自中國，故概無按資產、負債及資本開支之地區分析提呈。

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 64 of this annual report.

The Board has recommended a final dividend of HK\$0.065 per share in respect of the financial year ended 31 December 2005 to shareholders whose names appeared on the register of members of 11 May 2006.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2005 are set out in note 18 to the accompanying financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2005 are set out in note 6 to the accompanying financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 16 to the accompanying financial statements.

## USE OF PROCEEDS

The net proceeds from the issue of the Company's new shares in December 2004 amounted to approximately RMB194.0 million. As at 31 December 2005, a total of approximately RMB177.8 million had been applied as follows:

- as to approximately RMB155.0 million for the expansion of the Group's yarn production operations;
- as to approximately RMB19.4 million for the general working capital of the Group;
- as to approximately RMB2.1 million for enhancing the Group's product development capability; and
- as to approximately RMB1.3 million for the design and installation of management information system.

The remaining balance of approximately RMB16.2 million was placed as deposits with banks in Hong Kong and the PRC, and will be used for the installation of a management information system.

## 業績及分派

本集團之於截至二零零五年十二月三十一日止年度業績載列於本年報第64頁之綜合損益表。

董事會已建議派付截至二零零五年十二月三十一日止財政年度之末期股息每股0.065港元予於二零零六年五月十一日名列本公司股東名冊的股東。

## 儲備

本集團截至二零零五年十二月三十一日止年度之儲備變動詳情載於隨附之財務報告附註18。

## 物業、廠房及設備

本集團截至二零零五年十二月三十一日止年度之物業、廠房及設備變動詳情載於隨附之財務報告附註6。

## 股本

本公司之股本變動詳情載於隨附之財務報告附註16。

## 集資金額用途

本公司於二零零四年十二月公開發售新股，其所得之款項淨額為約人民幣194,000,000元。於二零零五年十二月三十一日，合共約人民幣177,800,000元已撥作以下用途：

- 約人民幣155,000,000元用作擴大本集團的紗線生產業務；
- 約人民幣19,400,000元作為本集團的一般營運資金；
- 約人民幣2,100,000元用作加強本集團的產品開發能力；及
- 約人民幣1,300,000元用於設計及安裝管理資訊系統。

其餘人民幣16,200,000元則存放於香港及中國大陸境內的銀行作存款，並將用作安裝管理資訊系統。

## DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2005 is set out in note 18 to the accompanying financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 1 of this annual report.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 21 November 2004 ("Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

## 可供分派儲備

本公司於截至二零零五年十二月三十一日止年度可供分派儲備詳情載列於隨附之財務報告附註18。

## 優先購買權

本公司組織章程及開曼群島法例並無載有優先購買權之條文，規定本公司須按比例向現有股東提呈發售新股。

## 財務概要

本集團於過去五個財政年度之業績及資產負債之概要載於本年報第1頁。

## 購買、出售或購回證券

本年內，本公司或其附屬公司概無購買、出售或購回本公司證券。

## 購股權

購股權計劃（「購股權計劃」）於二零零四年十一月二十一日（「採納日期」）獲本公司當時全體股東以書面決議案通過採納。

購股權計劃之目的乃讓本集團向指定參與者授予購股權，作為向此等人士對本集團作出之貢獻予以嘉獎及酬謝。所有董事、僱員、貨物或服務供應商、客戶、向本集團提供研究、發展或其他技術支援之人士或實體、本集團任何成員公司之股東、本集團之顧問或專業顧問及任何其他對本集團之發展曾作出貢獻或可透過合營企業、業務聯盟或其他業務安排作出貢獻之團體或類別之參與者均合資格參與購股權計劃。

購股權計劃自購股權計劃獲採納日期後十年內有效。

**SHARE OPTIONS** (Continued)

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the Listing Date (“General Scheme Limit”). The Company may renew the General Scheme Limit with shareholders’ approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders’ approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being (“Individual Limit”).

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

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

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the HKSE’s daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the HKSE’s daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

**購股權 (續)**

於購股權計劃及獲本集團採納之其他購股權計劃項下全部授出之購股權倘獲行使而可予配發及發行之股份總數不得超過本公司於上市日期已發行股份之10%（「一般計劃上限」）。本公司可於獲得股東批准下重訂該一般計劃上限，惟該重訂不得超過於獲股東通過之日本公司已發行股份之10%。

於購股權計劃及獲本集團採納之其他購股權計劃項下所有發行在外而尚未行使之購股權倘獲行使而可予發行股份之數目不得超過本公司不時已發行股份之30%。

除獲得本公司股東批准外，於購股權計劃及獲本公司採納之其他購股權計劃項下於十二個月內向各參與者授出之購股權（包括已行使或尚未行使者）倘獲行使而發行或可予發行之股份總數不得超過當時本公司已發行股份之1%（「個人上限」）。

參與者於授出購股權要約日期起二十一日內接納購股權。於接納授出之購股權時，須繳付1港元之象徵代價。

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

根據購股權計劃，股份之認購價將由董事釐定，惟不得少於（以較高者為準）(i)授出購股權要約日期（須為營業日）在香港聯交所每日報價表上所示股份之收市價；(ii)緊接授出購股權要約日期前之五個交易日在香港聯交所每日報價表上所示股份之平均收市價；及(iii)股份之面值。

**SHARE OPTIONS** (Continued)

As at 31 December 2005, no option was granted under the Share Option Scheme.

Another share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 21 November 2004 for the primary purpose of recognising and rewarding the contribution of certain directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing of the Shares on the Stock Exchange.

The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that of the Share Option Scheme;
- (ii) the General Scheme Limit, the Individual Limit and the restrictions on grant of options to a connected person do not apply;
- (iii) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally but the exercise of any option is conditional on the HKSE granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme on or before 30 days after the date of the Prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse; and
- (iv) the Directors may only grant options under the Pre-IPO Share Option at any time with a period commencing from 21 November 2004 and ending at 9:00 a.m. on the Listing Date.

As at 31 December 2005, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 4,342,000, representing approximately 0.498% of the Shares of the Company in issue at that date.

**購股權 (續)**

於二零零五十二月三十一日，概無根據購股權計劃授出購股權。

另一購股權計劃（「首次公開發售前購股權計劃」）於二零零四年十一月二十一日獲本公司當時全體股東書面決議案通過採納，以就若干董事、高級管理層、僱員、本集團之專業顧問或顧問對本集團之成長及發展以及協助本公司在聯交所上市所作貢獻予以確認及酬謝。

首次公開發售前購股權計劃之主要條款與購股權計劃之條款相似，惟下列條款除外：

- (i) 合資格參與者級別與購股權計劃者不同；
- (ii) 向關連人士授出購股權之一般計劃限額、個別限額及限制並不適用；
- (iii) 首次公開發售前購股權計劃之規則獲無條件採納，惟任何購股權之行使須待本公司招股章程刊發當日或三十日前根據首次公開發售前購股權計劃之授出購股權。獲行使而將予發行之股份獲批准在香港聯交所上市及買賣後方可作實，否則該等已授出購股權及首次公開發售前購股權計劃將即時失效；及
- (iv) 董事僅可自二零零四年十一月二十一日起至上市日期上午九時正止期間內隨時根據首次公開發售前購股權計劃授出購股權。

於二零零五年十二月三十一日，根據首次公開發售前購股權計劃已授出及尚未行使購股權而可予發行之股份數目為4,342,000股股份，相當於該日期本公司已發行股份之約0.498%。

## SHARE OPTIONS (Continued)

## 購股權 (續)

Details of the outstanding share options as at 31 December 2005 which have been granted under the Pre-IPO Share Option Scheme are as follows:

於二零零五年十二月三十一日根據首次公開發售前購股權計劃授出而尚未行使之購股權之詳情如下：

	Date of grant 授出日期	Number of option shares 購股權數目		Exercised during the year 年內已行使	Exercise price HK\$ 行使價 港元	Exercisable period (Note) 行使期限 (附註)
		Outstanding at 1 January 2005 於二零零五年 一月一日 尚未行使	Outstanding at 31 December 2005 於二零零五年 十二月三十一日 尚未行使			
Mr. Zhang Chuanmin 張傳民先生	21 November 2004 二零零四年 十一月二十一日	1,200,000	–	1,200,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至 滿六個月當日開始
Mr. Sha Tao 沙陶先生	21 November 2004 二零零四年 十一月二十一日	1,158,000	–	1,158,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至 滿六個月當日開始
Mr. Hu Zhiping 胡志平先生	21 November 2004 二零零四年 十一月二十一日	1,158,000	–	1,158,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至 滿六個月當日開始

## SHARE OPTIONS (Continued)

## 購股權 (續)

	Date of grant 授出日期	Number of option shares 購股權數目			Exercise price HK\$ 行使價 港元	Exercisable period (Note) 行使期限 (附註)
		Outstanding at 1 January 2005 於二零零五年一月一日 尚未行使	Exercised during the year 年內已行使	Outstanding at 31 December 2005 於二零零五年十二月三十一日 尚未行使		
Mr. Yin Jianhua 尹建華先生	21 November 2004 二零零四年十一月二十一日	826,000	-	826,000	0.69	three years commencing from and including the date falling six months after the Listing Date 三年 由上市日期起計至滿六個月當日開始
Total 總數		4,342,000	-	4,342,000		

Note: During the first one year and the first two years of the exercise period, each grantee may not exercise his option exceeding one-third and two-thirds respectively of the total number of underlying Shares in respect of the options granted to him.

附註：於行使期的首年及首兩年，每位承購人分別不得行使購股權超過其所獲授購股權之相關股份總數三分之一及三分之二。

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

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



**DIRECTORS**

The Directors during the year were:

Mr. Hong Tianzhu  
Mr. Zhu Yongxiang  
Mr. Tang Daoping  
Mr. Gong Zhao  
Mr. Ting Leung Huel, Stephen\*  
Ms. Zhu Lanfen\*  
Mr. Cheng Longdi\*

\* *Independent non-executive Directors*

In accordance with article 180(A) of the Company's articles of association, Ms. Zhu Lanfen and Mr. Cheng Longdi will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

**DIRECTORS' SERVICE CONTRACTS**

Each of Mr. Hong Tianzhu, Mr. Zhu Yongxiang, Mr. Tang Daoping and Mr. Gong Zhao, all being executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 21 November 2004, and will continue thereafter for successive term of one year until terminated by not less than three month's notice in writing served by either party on the other expiring at the end of the initial term or at any time thereafter.

Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi are independent non-executive directors and were appointed for an initial term of one year commencing from 21 November 2004 renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term, unless terminated by not less than three months' notice in writing at the end of the initial term or at any time thereafter.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**董事**

年內在任之董事如下:

洪天祝先生  
朱永祥先生  
湯道平先生  
龔照先生  
丁良輝先生\*  
朱蘭芬女士\*  
程隆棣先生\*

\* *獨立非執行董事*

根據本公司組織章程180(A)，朱蘭芬女士及程隆棣先生將輪值告退，以使其合資格於下一屆股東週年大會膺選連任。

**董事之服務合約**

洪天祝先生、朱永祥先生、湯道平先生及龔照先生(均為執行董事)已各自與本公司訂立服務合約，自二零零四年十一月二十一日起計，初步為期三年，其後按年續約，直至任何一方於初步年期屆滿前或其後任何時間以不少於三個月之書面通知終止合約。

丁良輝先生、朱蘭芬女士及程隆棣先生分別委任為獨立非執行董事，自二零零四年十一月二十一日起計，初步任期一年，可於現有委任期屆滿後翌日自動續約一年，直至任何一方於初步年期屆滿前或其後任何時間以不少於三個月之書面通知終止合約。

除上述披露者外，概無董事與本公司或其任何附屬公司訂立服務合同，而有關服務合同概無在未有支付法定賠償以外之賠償則不得由本集團予以終止。



## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/her independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and other than in connection with the Group's reorganisation in preparation for the listing of the Shares on the Main Board of the Stock Exchange, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 27 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 27 to the accompanying financial statements.

## REMUNERATION POLICY

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

## 獨立非執行董事之獨立性

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

## 董事於合約中之權益

除本年報所述以及與為籌備股份於聯交所主板上市而進行之本集團重組外，概無任何與本集團業務有重大關係且本公司、其附屬公司、本公司控股股東或任何其附屬公司及公司董事擁有重大權益（不論直接或間接）之合約於年終或年內任何時間存在。

## 董事及五位最高薪之董事／僱員之酬金

有關回顧年度內根據指定基準之董事酬金詳情載於隨附之財務報告附註27。

有關回顧年度內之五位最高薪人士之詳情載於隨附之財務報告附註27。

## 薪酬政策

本集團參考法定架構、市場狀況及本集團及個別員工（包括董事）之表現，定期檢討其薪酬政策。薪酬委員會負責檢討本集團執行董事及高級管理層成員之薪酬政策及薪酬組合，詳情載於本報告「企業管治報告」一節「薪酬委員會」一段內。

### RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 27 to the accompanying financial statements.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management as at the date of this annual report are set out on pages 32 to 35 of this annual report.

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

At 31 December 2005, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

### 退休福利計劃

本集團退休福利計劃之詳情載於隨附之財務報告附註27。

### 董事及高級管理層之履歷

董事及高級管理層於本年報日期之履歷簡介載於本年報第32至第35頁。

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

於二零零五年十二月三十一日，本公司董事及行政總裁於本公司及其相聯法團（定義見香港法例第571章證券及期貨條例第十五部（「證券及期貨條例」））股份、相關股份及債權證中擁有根據證券及期貨條例第352條，紀錄於本公司須予存置之登記冊內之權益或淡倉，或根據證券及期貨條例第十五部第7及第8分部須通知本公司及香港聯交所之權益或淡倉（包括根據證券及期貨條例的該等條文，彼被當作或視作擁有的權益或淡倉）及根據上市規則所載上市公司董事進行證券交易標準守則規定須通知本公司及香港聯交所之權益及淡倉如下：

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

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

Name of directors of the Company 本公司董事姓名	Number of Shares held 持有股份數目			
	Name of Group member/ associated corporation 本集團成員公司/ 聯營法團名稱	Nature of interest 權益性質	Number of shares 股份數目	Percentage 百分比
Mr. Hong Tianzhu 洪天祝先生	the Company 本公司	Interest of controlled corporation(s) 所控制法人的權益	555,900,000 (L)	63.75%
Mr. Zhu Yongxiang 朱永祥先生	the Company 本公司	Interest of controlled corporation(s) 所控制法人的權益	248,520,000 (L)	28.50%

Notes:

附註:

- |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |    |                                                                                                                                                                                                                                                                                                                          |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The letter "L" denotes the person's long position in the Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1. | 「L」代表該人士於股份之好倉。                                                                                                                                                                                                                                                                                                          |
| 2. | Among these 555,900,000 Shares, as to 392,400,000 Shares are registered in the name of and beneficially owned by New Green Group Limited, the entire issued share capital of which is beneficially owned by Hong Kong Tin Hong Industrial Limited, a company 100% owned by Mr. Hong Tianzhu and as to 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 50.64% by Mr. Hong Tianzhu. Under the SFO, Mr. Hong Tianzhu is deemed to be interested in all the Shares held by New Green Group Limited and Trade Partner Investments Limited. | 2. | 該555,900,000股股份中392,400,000股以New Green Group Limited (New Green Group Limited全部已發行股本由香港天虹實業有限公司實益擁有, 洪天祝先生實益擁有該公司100%權益) 名義及作為實益擁有人登記; 163,500,000股以Trade Partner Investments Limited (洪天祝先生實益擁有全部已發行股份的50.64%權益) 名義及作為實益擁有人登記。根據證券及期貨條例, 洪天祝先生被視為於New Green Group Limited及Trade Partner Investments Limited持有之所有股份佔有權益。 |
| 3. | Among these 248,520,000 Shares, as to 85,020,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang and as to 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 41.36% by Mr. Zhu Yongxiang. Under the SFO, Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Wisdom Grace Investments Limited and Trade Partner Investments Limited.                                            | 3. | 該248,520,000股股份中85,020,000股以Wisdom Grace Investments Limited (其全部已發行股本由朱永祥先生實益擁有) 名義及作為實益擁有人登記。163,500,000股以Trade Partner Investments Limited (朱永祥先生實益擁有全部已發行股份的41.36%權益) 名義及作為實益擁有人登記。根據證券及期貨條例, 朱永祥先生被視為於Wisdom Grace Investments Limited及Trade Partner Investments Limited持有之所有股份佔有權益。                                |

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

### 主要股東持有之本公司股份及相關股份及債權證之權益及淡倉

So far as the Directors are aware, as at 31 December 2005, the interests or short position of the persons other than a Director or chief executive of the Company in the Shares or underlying shares or debenture of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

就董事所知悉，於二零零五年十二月三十一日，於本公司股份或相關股份或債權證中擁有根據證券及期貨條例第336節紀錄於本公司須予存置之登記冊內之權益或淡倉的人士（惟本公司之一名董事或主要行政人員除外）如下：

Ordinary Shares of the Company:

本公司之普通股：

Name of the substantial shareholder 本公司主要股東	Number of Shares held 持有股份數目		Percentage 百分比
	Nature of interests 權益性質	Number of shares 股份數目	
New Green Group Limited	Beneficial owner 實益擁有人	392,400,000 (L) (Note 2) (附註2)	45%
Trade Partner Investments Limited	Beneficial owner 實益擁有人	163,500,000 (L) (Note 3) (附註3)	18.75%
Wisdom Grace Investments Limited	Beneficial owner 實益擁有人	85,020,000 (L) (Note 4) (附註4)	9.75%
Hong Kong Tin Hong Industrial Limited 香港天虹實業有限公司	Interest of controlled corporation(s) 所控制法人的權益	392,400,000 (L) (Note 2) (附註2)	45%
Ms. KE Luping 柯綠萍女士	Interest of spouse 配偶權益	555,900,000 (L) (Notes 5) (附註5)	63.75%
Ms. ZHAO Ziyang 趙志揚女士	Interest of spouse 配偶權益	248,520,000 (L) (Note 6) (附註6)	28.50%

Notes:

附註：

- The letter "L" denotes the person's long position in the Shares.
- These 392,400,000 Shares are registered in the name of and beneficially owned by New Green Group Limited, the entire issued share capital of which is beneficially owned by Hong Kong Tin Hong Industrial Limited, a company 100% beneficially owned by Mr. Hong Tianzhu. Under the SFO, each of Hong Kong Tin Hong Industrial Limited and Mr. Hong Tianzhu is deemed to be interested in all the Shares held by New Green Group Limited.

- 「L」代表該人士於股份之好倉。
- 該392,400,000股股份以New Green Group Limited (New Green Group Limited全部已發行股本由香港天虹實業有限公司實益擁有，洪天祝先生實益擁有後者100%權益)名義及作為實益擁有人登記。根據證券及期貨條例，香港天虹實業有限公司及洪天祝先生均被視為於New Green Group Limited持有之所有股份佔有權益。

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (Continued)

Notes:

3. These 163,500,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 50.64% by Mr. Hong Tianzhu, 41.36% by Mr. Zhu Yongxiang, 2.24%, 1.68%, 1.68%, 1.68%, 0.36% and 0.36% by Mr. Sha Tao, Mr. Tang Daoping, Mr. Gong Zhao, Mr. Hu Zhiping, Mr. Yin Jianhua and Mr. Zhang Chuanmin. Under the SFO, each of Mr. Hong Tianzhu and Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Trade Partner Investments Limited.
4. These 85,020,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang. Under the SFO, Mr. Zhu Yongxiang is deemed to be interested in all the Shares held by Wisdom Grace Investments Limited.
5. Ms. Ke Luping is the spouse of Mr. Hong Tianzhu. Under the SFO, Ms. Ke Luping is taken to be interested in the same number of Shares in which Mr. Hong Tianzhu are interested.
6. Ms. Zhao Ziyang is the spouse of Mr. Zhu Yongxiang. Under the SFO, Ms. Ke Luping is taken to be interested in the same number of Shares in which Mr. Zhu Yongxiang are interested.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Options" above, at no time during the 12 months ended 31 December 2005 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year under review.

## 主要股東持有之本公司股份及相關股份及債權證之權益及淡倉 (續)

附註:

3. 該163,500,000股股份以Trade Partner Investments Limited (其全部已發行股本由洪天祝先生、朱永祥先生、沙陶先生、湯道平先生、龔照先生、胡志平先生、尹建華先生及張傳民先生分別實益擁有50.64%、41.36%、2.24%、1.68%、1.68%、1.68%、0.36%、0.36%)名義及作為實益擁有人登記。根據證券及期貨條例，洪天祝先生及朱永祥先生分別被視為於Trade Partner Investments Limited持有之所有股份佔有權益。
4. 該85,020,000股股份以Wisdom Grace Investments Limited (其全部已發行股本由朱永祥先生實益擁有)名義及作為實益擁有人登記。根據證券及期貨條例，朱永祥先生被視為於Wisdom Grace Investments Limited持有之所有股份佔有權益。
5. 柯綠萍女士為洪天祝先生之配偶。根據證券及期貨條例，柯綠萍女士被視為於洪天祝先生佔有權益同樣數目之股份佔有權益。
6. 趙志揚女士為朱永祥先生之配偶。根據證券及期貨條例，趙志揚女士被視為於朱永祥先生佔有權益同樣數目之股份佔有權益。

## 購買股份或債權證之安排

除上述「購股權」一節披露者外，截至二零零五年十二月三十一日止十二個月內，本公司、其控股公司或其附屬公司概無安排董事(包括其配偶或未滿十八歲之子女)以透過收購本公司或任何其他法人團體之股份或債權證之方法獲得利益。

## 管理層合約

於回顧年度內，概無訂立或存在任何與本公司整體或重要業務有關之管理及行政工作合約。

**MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10%
– five largest suppliers combined	26%
Sales	
– the largest customer	3%
– five largest customers combined	11%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

**DIRECTORS' INTEREST IN COMPETING BUSINESS**

Hong Kong Tin Hong Industrial Limited is a private company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Hong Tianzhu, an executive Director. Hong Kong Tin Hong Industrial Limited has interest in the following textile related business (the "Excluded Businesses") which do not form part of the Group and are either complementary to or likely to compete, directly or indirectly, with the Group's business in China. Details of the Excluded Businesses are as follows:

**(a) Tianhong Printing and Dyeing (Wuxi) Co., Ltd. ("Tianhong Printing and Dyeing")**

Tianhong Printing and Dyeing is a wholly foreign-owned enterprise incorporated in China, the entire equity interest of which is owned by Hong Kong Tin Hong Industrial Limited. Tianhong Printing and Dyeing is principally engaged in the provision of printing and dyeing services and sale of garment fabrics to garment manufacturers and trading agents. Tianhong Printing and Dyeing sells its products mainly in Jiangsu Province and Shanghai Municipality of China. The management team of the Group is basically independent from the management team of Tianhong Printing and Dyeing.

**主要客戶及供應商**

於年度內來自本集團主要供應商及客戶之採購及銷售之百分比如下：

採購	
– 最大供應商	10%
– 五大供應商合計	26%
銷售	
– 最大客戶	3%
– 五大客戶合計	11%

概無董事、其聯繫人士或任何股東（就董事知悉於本公司股本中擁有5%以上權益者）於上述之主要供應商及客戶中擁有權益。

**董事於競爭業務之權益**

香港天虹實業有限公司為一家於香港註冊成立之私人有限公司，由執行董事洪天祝先生全資擁有。香港天虹實業有限公司於若干紡織相關業務之權益並非本集團業務之一部份（「除外業務」），且並無亦不太可能會與本公司於中國之業務直接或間接構成競爭。除外業務之詳情如下：

**(a) 天虹印染（無錫）有限公司（「天虹印染」）**

天虹印染為一家在中國註冊成立之外資企業，其全部股本權益由香港天虹實業有限公司獨資擁有。天虹印染主要從事提供布料之印染業務，並向成衣製造商及買賣代理出售面料。天虹印染於江蘇省及上海直轄市出售其產品。本集團之管理團隊基本上與天虹印染之管理團隊分別獨立運作。

## DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

### (b) Nantong Textile Group Co., Ltd. ("Nantong Textile")

Nantong Textile is owned as to 39% by Hong Kong Tin Hong Industrial Limited. Nantong Textile is principally engaged in printing, dyeing of fabrics and selling of garment fabrics. Garment fabrics produced by Nantong Textile mainly include dyed and printed cotton fabrics, linen cotton blended fabrics and polyester cotton blended fabrics. Hong Kong Tin Hong Industrial Limited has no shareholding or management control over Nantong Textile.

The Group's principal business is the production and sale of yarn and grey fabrics. It is not engaged in printing and dyeing work and does not maintain any printing and dyeing facilities. The Directors are of the view that both Tianhong Printing and Dyeing and Nantong Textile do not pose any competition to the Group as the principal businesses of Tianhong Printing and Dyeing and Nantong Textile are principally different from the principal business of the Group. The relationship between the Group and each of Tianhong Printing and Dyeing and Nantong Textile is customer and supplier. The Group has to subcontract the printing and dyeing work to produce garment fabrics.

Although the Group's business of the sale of garment fabric may compete with that of Tianhong Printing and Dyeing and Nantong Textile, as garment fabric is not a principal product of the Group and a majority of the Group's garment fabric products are sold to overseas customers while Tianhong Printing and Dyeing and Nantong Textile mainly sell their garment fabric products to PRC customers, the directors of the Company are of the opinion that such potential competition does not impact on the financial position and operations of the Group.

The Group has over 20 other printing and dyeing service providers. The Directors believe the Group does not have to rely on Tianhong Printing and Dyeing and/or Nantong Textile to carry on its business given that the sales of grey fabrics by the Group to Tianhong Printing and Dyeing and Nantong Textile as a percentage of the Group's total turnover for the year under review were only about 0.5% and 0.0% respectively and purchases from Tianhong Printing and Dyeing and Nantong Textile as a percentage of the Group's total sales of garment fabrics for the year under review were only about 4.7% and 0.6% respectively.

## 董事於競爭業務之權益 (續)

### (b) 南通紡織控股集團紡織染有限公司 (「南通紡織」)

南通紡織由香港天虹實業有限公司擁有39%。主要從事布料之印刷及染色，以及銷售面料之業務。南通紡織所生產之面料主要包括經印刷及染色之全綿、麻棉及滌棉。香港天虹實業有限公司對南通紡織並無控制股權或管理控制。

本集團主要從事製造及銷售紗線及坯布之業務，但並無從事印染業務，故無印染設施。董事認為，因為天虹印染及南通紡織之主要業務與本集團之主要業務大為不同，天虹印染對本集團並無產生任何競爭。本集團分別與天虹印染及南通紡織之關係是客戶與供應商之關係。本集團將印染工序分包以生產面料。

雖然本集團出售面料之業務或與天虹印染及南通紡織之業務可能構成競爭，惟面料並非本集團之主要產品，本集團大部份之面料產品乃出售予海外客戶，而天虹印染及南通紡織則主要出售予中國客戶，因此，本公司董事認為該等潛在競爭並不會影響本集團之財務狀況及營運。

本集團有逾20位其他印染服務供應商，董事相信，本集團業務無須依賴天虹印染及／或南通紡織，因為於回顧年度，本集團向天虹印染及南通紡織銷售的坯布只佔本集團總營業額分別約0.5%及0.0%，本集團向天虹印染及南通紡織之採購分別佔本集團總銷售面料之4.7%及0.6%。



### DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

Nevertheless, in order to further delineate the respective businesses between the Group and Tianhong Printing and Dyeing and Nantong Textile and to protect the Group from any possible direct and indirect competition from Tianhong Printing and Dyeing and Nantong Textile in respect of the Group's core business of manufacture and sale of yarn and grey fabrics and the export sale of garment fabrics. Mr. Hong Tianzhu has given an irrevocable and unconditional non-compete undertaking in favour of the Company that he will not, and will procure, to the extent within his voting powers in the relevant associate, his associates, not:

- (i) to engage in the business of the manufacture and sale of yarns and grey fabrics and the business of export sales of garment fabrics;
- (ii) to solicit any existing employees of the Group for employment by him or his associates (excluding the Group);
- (iii) to make use of any information pertaining to the business of the Group which may have come to the knowledge in his capacity as the controlling shareholder of the Group or, as the case may be, as a Director for the purpose of competing with the business of the Group.

The non-compete undertaking has taken effect from the Listing Date (being the date on which shares of the Company were listed on the Main Board of the Stock Exchange i.e. 9 December 2004) and shall expire on the earlier of (i) the date on which Mr. Hong Tianzhu and his associates cease to hold in aggregate, 30% or more of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange.

### CONNECTED TRANSACTIONS

During the year under review, the following continuing connected transactions (the "Transactions") have been entered into by the Group to which the Stock Exchange has granted waivers to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

#### (a) Sales of the Group's grey fabrics to Tianhong Printing and Dyeing

Tianhong Printing and Dyeing is a company 100% owned by Hong Kong Tin Hong Industrial Limited, a controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director.

### 董事於競爭業務之權益 (續)

然而，為進一步記述本集團分別與天虹印染及南通紡織各自之間之業務，以及保障本集團以免其製造及銷售紗線及坯布及出口面料等核心業務與天虹印染及南通紡織有任何直接或間接之競爭，洪天祝先生以本公司為受益人作出不可撤回及無條件不競爭承諾其將不會，並將其於有關的聯繫公司的投票權促使其聯繫公司不會：

- (i) 從事紗線及坯布製造及銷售業務及面料出口業務；
- (ii) 誘使本集團任何現有僱員為其或其聯繫公司（不包括本集團）僱用；
- (iii) 利用因其作為本集團控股股東或（視乎情況而定）本公司的董事的身份而得悉有關本集團業務的任何資訊，以達至與本集團業務競爭的目的。

不競爭承諾已由上市日期（即本公司股份於聯交所主板上市當日，亦即二零零四年十二月九日）起生效，並於下述最早發生者時期滿：(i) 洪天祝先生與其聯繫公司不再持有本公司已發行股本30%或以上；或(ii) 股份不再於聯交所上市。

### 關連交易

於回顧年度，下列有關本集團訂立之持續關連交易（「該等交易」）獲聯交所豁免（惟須受若干條件（「條件」）限制）嚴格遵守根據上市規則14A章須予公佈及／或獲得股東批准之規定：

#### (a) 向天虹印染銷售本集團坯布

天虹印染由本公司控股股東香港天虹實業有限公司（其全部已發行股本由本公司執行董事洪天祝先生擁有）擁有100%權益。

**CONNECTED TRANSACTIONS** (Continued)**(a) Sales of the Group's grey fabrics to Tianhong Printing and Dyeing** (Continued)

Pursuant to an agreement (the "Tianhong Sale Agreement") dated 21 November 2004 and entered into between the Group as vendor and Tianhong Printing and Dyeing as purchaser, Tianhong Printing and Dyeing agreed to purchase grey fabrics from the Group at market prices and on such terms of sales based principally on the standard terms of sales of the Group from time to time and such other terms as are no more favourable as those applicable to the sales of comparable grey fabrics to independent third parties. The Tianhong Sale Agreement has a term expiring on 31 December 2006 unless terminated earlier by three month's written notice by either party.

During the year under review, the Group had sold from time to time its grey fabrics to Tianhong Printing and Dyeing on normal commercial terms and were no more favourable than those available to independent third party purchasers. The aggregate sales of the Group's grey fabrics to Tianhong Printing and Dyeing amounted to approximately RMB10.2 million, it did not exceed the annual monetary cap of RMB24.4 million for year 2005.

**(b) Purchases of garment fabrics by the Group from Tianhong Printing and Dyeing**

Pursuant to an agreement (the "Tianhong Purchase Agreement") dated 21 November 2004 and entered into between the Group as purchaser and Tianhong Printing and Dyeing as vendor, Tianhong Printing and Dyeing agreed to sell garment fabrics to the Group at market prices and on such terms of sales based principally on its standard terms of sales from time to time and such other terms as are no less favourable to the Group as those applicable to the sales of comparable garment fabrics to independent third parties. The Tianhong Purchase Agreement has a term expiring on 31 December 2006 unless terminated earlier by three month's written notice by either party.

During the year under review, the Group had purchased garment fabrics from Tianhong Printing and Dyeing from time to time and on normal commercial terms and were no less favourable than those available to independent third party purchasers. The aggregate purchases of garment fabrics by the Group from Tianhong Printing and Dyeing amounted to approximately RMB9.4 million, it did not exceed the annual monetary cap of RMB25.0 million for year 2005.

**關連交易 (續)****(a) 向天虹印染銷售本集團坯布 (續)**

根據本集團(作為賣方)與天虹印染(作為買方)於二零零四年十一月二十一日訂立之協議(「天虹銷售協議」),天虹印染同意以市價向本集團購買坯布,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可優於適用於向獨立第三方銷售可供比較之坯布之條款。天虹銷售協議之年期已於二零零六年十二月三十一日屆滿,惟任何一方以三個月通知提早終止協議則除外。

於回顧年度,本集團之坯布以正常商業條款不時銷售予天虹印染,而條款並不優於向獨立第三方買家提供之條款。本集團於二零零五年度予天虹印染之坯布總銷售額約達人民幣10,200,000元,並不超出人民幣24,400,000元年度金額上限。

**(b) 本集團向天虹印染採購面料**

根據本集團(作為買方)與天虹印染(作為賣方)於二零零四年十一月二十一日訂立之協議(「天虹採購協議」),天虹印染同意以市價向本集團銷售面料,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可遜於適用於向獨立第三方銷售可供比較之面料之條款。天虹採購協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團以一般商業條款不時向天虹印染採購面料,而條款並不遜於向獨立第三方買家提供之條款。本集團於二零零五年度向天虹印染採購之面料總額約達人民幣9,400,000元,並不超出人民幣25,000,000元年度金額上限。

**CONNECTED TRANSACTIONS** (Continued)**關連交易 (續)****(c) Sales of Group's grey fabrics to Nantong Textile**

Nantong Textile is owned as to 39% by Hong Kong Tin Hong Industrial Limited, a controlling shareholder of the Company and the entire issued share capital of which is owned by Mr. Hong Tianzhu, an executive Director.

Pursuant to an agreement (the "Nantong Sale Agreement") dated 21 November 2004 and entered into between the Group as vendor and Nantong Textile as purchaser, Nantong Textile agreed to purchase grey fabrics from the Group at market prices and on such terms of sales based principally on the standard terms of sales of the Group from time to time and such other terms as are no more favourable as those applicable to the sales of comparable grey fabrics to independent third parties. The Nantong Sale Agreement, has a term expiring on 31 December 2006 unless terminated earlier by three months' written notice by either party.

During the year under review, the Group had sold from time to time its grey fabrics to Nantong Textile on normal commercial terms and were no more favourable than those available to independent third party purchasers. The aggregate sales of the Group's grey fabrics to Nantong Textile amounted to approximately RMB71,000, it did not exceed the annual monetary caps of RMB4.4 million for the year 2005.

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

Pursuant to an agreement (the "Nantong Purchase Agreement") dated 21 November 2004 and entered into between the Group as purchaser and Nantong Textile as vendor, Nantong Textile agreed to sell garment fabrics to the Group at market prices and on such terms of sales based principally on its standard terms of sales from time to time and such other terms as are no less favourable to the Group as those applicable to the sales of comparable garment fabrics to independent third parties. The Nantong Purchase Agreement has a term expiring on 31 December 2006 unless terminated earlier by three months' written notice by either party.

During the year under review, the Group had purchased garment fabrics from Nantong Textile from time to time and on normal commercial terms and were no less favourable than those available to independent third party purchasers. The aggregate purchases of garment fabrics by the Group from Nantong Textile amounted to approximately RMB1.1 million, it has not exceed the annual monetary cap of RMB1.3 million for year 2005.

**(c) 向南通紡織銷售本集團坯布**

南通紡織由本公司控股股東香港天虹實業有限公司(其全部已發行股本由執行董事洪天祝先生擁有)擁有39%權益。

根據本集團(作為賣方)與南通紡織(作為買方)於二零零四年十一月二十一日訂立之協議(「南通銷售協議」),南通紡織同意以市價向本集團購買坯布,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可優於適用於向獨立第三方銷售可供比較之坯布之條款。南通銷售協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團以正常商業條款不時銷售予南通紡織,而條款並不優於向獨立第三方買家提供之條款。本集團於二零零五年度予南通紡織之坯布總銷售額約達人民幣71,000元,並不超出人民幣4,400,000元年度金額上限。

**(d) 本集團向南通紡織採購面料**

根據本集團(作為買方)與南通紡織(作為賣方)於二零零四年十一月二十一日訂立之協議(「南通採購協議」),南通紡織同意以市價向本集團銷售面料,惟銷售條款須主要根據本集團當時之正常銷售條款,而且其他該等條款亦不可遜於適用於向獨立第三方銷售可供比較之面料之條款。南通採購協議之年期於二零零六年十二月三十一日屆滿,惟任何一方以三個月書面通知提早終止協議則除外。

於回顧年度,本集團已不時按一般商業條款及不遜於給予第三方購買者的條款向南通紡織採購成衣纖維。本集團向南通紡織採購成衣纖維總額約為人民幣1,100,000元,並不超出二零零五年的年度金額上限人民幣1,300,000元。

**CONNECTED TRANSACTIONS** (Continued)

During the year under review, the Group had subcontracted Tianhong Printing and Dyeing to provide its printing and dyeing services on normal commercial terms from time to time and the aggregate annual processing fees paid by the Group to Tianhong Printing and Dyeing was approximately RMB150,000. As these transactions are on normal commercial terms where each of the percentage ratios (other than the profits ratio as set out in Rule 14.07 of the Listing Rules) is more than 0.1% but less than 2.5% and the total consideration was less than HK\$1,000,000, such transactions were exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors confirm that the disclosure requirements in accordance with Chapter 14A of the Listing Rules has been complied with by the Company.

The related party transactions disclosed in the note 32 of the Company's financial statements, save for the transactions in between Nantong Shuanghong and the Group as refer to therein, all the other related party transactions fall under the scope of "continuing connected transaction", in Chapter 14A of the Listing Rules.

**關連交易 (續)**

於回顧年度，本公司按一般商業條款不時分包天虹印染提供印染服務，而本集團本年支付予天虹印染的加工費用約為人民幣150,000元。由於有關交易按一般商業條款訂立，每項交易的百分比比率（不包括上市規則第14.07條所載的百分比比率）高於0.1%，但不足2.5%，而總代價少於1,000,000港元，有關交易豁免遵守上市規則第14A章以公佈申報及獲取獨立股東批准的規定。

獨立非執行董事已審閱該等交易，並確認該等交易：

- (i) 為本集團正常及日常業務過程中訂立；
- (ii) 按一般商業條款訂立，或缺乏可資比較交易以評估該等交易是否按一般商業條款訂立，則訂立條款並不遜於本集團提供獨立第三方或獨立第三方提供本集團（如適合）的條款；及
- (iii) 按照規範該等交易的有關協議，條款為公平合理，並且合乎本公司股東的整體利益。

董事確認，本公司已經遵守上市規則第14A章的披露規定。

關聯方交易已於本公司財務報告附註32披露，除附註32所披露本集團與南通雙虹之間交易外，所有其他方關聯方交易均屬於上市規則第14A章「持續關連交易」範圍之內。

### COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Securities Code on terms no less exacting than the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules. During the year under review, the Company, having made specific enquiry on all the directors of the Company, confirms that all its directors have complied with the Securities Code.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

### AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The audit committee has adopted terms of reference which are in line with the code provisions of the CG Code. The audit committee is responsible to review and supervise the Group's financial reporting process and internal control system and provide advice and suggestions to the board of directors of the Company.

The audit committee had reviewed the audited results of the Group for the financial year ended 31 December 2005.

### REMUNERATION COMMITTEE

The Company has established a remuneration committee, which comprises three independent non-executive directors of the Company, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi and the chairman of the Company, namely, Mr. Hong Tianzhu. The remuneration committee has adopted terms of reference which are in line with the code provisions of the CG Code. The remuneration committee is responsible to formulate and make recommendation to the Board on the Group's policy and structure for all remuneration of the directors and senior management of the Group and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

### 遵守上市規則之標準守則

本公司採納條款不寬於上市規則附錄十所載之上市公司董事進行證券交易的標準守則的證券守則。於回顧年度內，經特別就董事作出查詢後，本公司確認，各董事均已遵守證券守則。

### 公眾持股量

根據本公司獲得之公開資料及據董事所知，於本年報刊發日期，本公司已發行股份之指定公眾持股量符合上市規則。

### 審核委員會

本公司已成立審核委員會，該委員會由三名獨立非執行董事組成，包括丁良輝先生、朱蘭芬女士及程隆棣先生，丁良輝先生為審核委員會主席。審核委員會所採納的職權範圍符合企業管治守則的守則條文。審核委員會負責審閱及監督本集團之財務匯報過程及內部監控制度，並向本公司董事會提供意見及推薦建議。

審核委員會已審閱本集團截至二零零五年十二月三十一日止財政年度之經審核業績。

### 薪酬委員會

本公司已成立薪酬委員會，該委員會由三名獨立非執行董事，包括丁良輝先生、朱蘭芬女士及程隆棣先生，加上本公司主席洪天祝先生組成。薪酬委員所採納的職權範圍符合企業管治守則的守則條文。薪酬委員會負責制訂有關本集團董事及高級管理層全體酬金之政策及結構，並就薪酬發展政策建立正式及高透明度之程序並向董事會作出建議。

## LITIGATION

On 5 March 2004, Jiangsu Century Texhong Textile Co., Ltd. ("Jiangsu Century"), an indirect wholly-owned subsidiary of the Company, and a US cotton supplier (the "Applicant") entered into two sale and purchase agreements (the "Relevant Contracts") for the purchase of an aggregate of 1,000 tonnes of cotton by Jianxu Century from the Applicant.

In or about July 2004, the Applicant commenced an arbitration proceedings by making an application to China International Economic and Trade Arbitration Commission, Shanghai Commission (the "CIETAC") arising from disputes over the Relevant Contracts. It was alleged by the Applicant that Jiangsu Century failed to issue the letters of credit pursuant to the terms of the Relevant Contracts, and claimed from Jiangsu Century for (i) US\$762,908.76, being the economical loss incurred; (ii) US\$70,000, being the legal fees payable by Applicants for the arbitration; and (iii) the arbitration fees and all other expenses incurred by the Applicant in relation to the arbitration.

Jiangsu Century refused to issue the letters of credit pursuant to the terms of the Relevant Contracts due to the quality and the quantity of cotton delivered by the Applicant in the previous dealings failed to comply with the specifications of Jiangsu Century. In this regard, Jiangsu Century commenced an arbitration proceedings against the Applicant in November 2004 claiming for economic loss of an aggregate of RMB1,468,738.

The above disputes were heard by the CIETAC on 3 December 2004 and 4 March 2005 respectively. CIETAC has not yet indicated the date for the final decisions up to the date of this annual report.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries during the year under review.

## 訴訟

於二零零四年三月五日，本公司間接全資附屬公司江蘇世紀天虹紡織有限公司（「江蘇世紀」）與一位美國棉花供應商（「申請人」）訂立兩項買賣協議（「有關合約」），江蘇世紀向申請人購買合共1,000噸棉花。

於二零零四年七月或前後，申請人向中國國際經濟貿易仲裁委員會上海委員會（「CIETAC」）就有關合約引起之糾紛展開仲裁程序。申請人聲稱江蘇世紀未有根據有關合約之條款發出信用證，並向江蘇世紀索償(i) 762,908.76美元，作為所產生之經濟損失；(ii) 70,000美元，作為申請人就仲裁支付之法律費用；及(iii)申請人就此仲裁產生之仲裁費用及其他開支。

江蘇世紀拒絕根據有關合約之條款發出信用證，理由是申請人於先前之交易中所交付之棉花之質量及數量均未符合江蘇世紀所指定。就此，江蘇世紀並於二零零四年十一月向申請人展開仲裁程序，索償合共人民幣1,468,738元的經濟損失。

CIETAC已分別於二零零四年十二月三日及二零零五年三月四日就上述糾紛進行聆訊。於本年報刊發日期，CIETAC尚未訂出作出最後決定之日期。

除上文披露外，本公司或其任何附屬公司概無牽涉於任何重大訴訟或仲裁，而據董事所知，本公司或其任何附屬公司並無涉及待決或面臨威脅之重大訴訟或索償。



### SUBSEQUENT EVENTS

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

### AUDITORS

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

On behalf of the Board

**Hong Tianzhu**  
*Chairman*

Hong Kong, 3 April 2006

### 結算日後事項

於二零零六年三月，本集團與荷蘭銀行有限公司（上海分行）簽訂一項無抵押銀行融資10,000,000美元，於二零零七年三月到期。該銀行融資於年末後已全數動用，而有關附息借貸乃按以倫敦銀行同業拆息為基準的浮動利率計算。

### 核數師

財務報告經羅兵咸永道會計師事務所審核，羅兵咸永道會計師事務所將退任，並合資格於下一屆股東週年大會上獲續聘。

承董事會命

主席  
**洪天祝**

香港，二零零六年四月三日