

管理層討論及分析

Management Discussion and Analysis



UNIQLO
專用工場



透過產品多元化及開拓優質客戶，並優化生產流程
去提升集團競爭力

Diversify the products, explore quality clients and
optimize production process to enhance the Group's
competitiveness

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經營環境

二零零六年是歐美對進口中國紡織品全面實施配額制度的首年。於二零零五年九月，中國政府就推行紡織品新配額分配制度頒佈若干臨時規則。根據該制度，自二零零五年九月二十二日起，中國的紡織品製造商出口其產品至以下國家或地區：(i)對中國紡織品及服裝出口實施限制措施；或(ii)與中國訂立有關中國製造紡織及服裝產品受影響類別的紡織品或服裝產品。中國商務部將首先向紡織品及服裝出口商，就各受影響市場，為各類有關受影響紡織品及服裝類別各自授出一個配額，配額數目每年予以檢討。二零零六年度紡織品配額分配的基準如下：各受影響產品類別配額的70%，將主要按於二零零四年六月一日至二零零五年五月三十一日期間，個別出口商佔中國出口該受影響產品類別至歐盟及全球其他地方總值份額的比例予以分配，而其餘30%的配額則通過招標分配。二零零五年十二月二日，中國商務部明確了該規則也適用於中美諒解備忘錄所涵蓋的21類受限制紡織品及服裝產品。

由於中國政府對二零零六年度紡織品配額分配的時間未能配合製造商與其客戶的訂單安排，及部分製造商不當使用配額，導致本年度中國輸往歐美紡織品部分配額未能如預期般足額使用，令配額價格於二零零六年呈現先高後低態勢。

二零零六年九月十八日及二零零七年三月十三日，中國商務部發佈了新的紡織品出口管理辦法，並依此確定二零零七年度紡織品配額分配

OPERATING ENVIRONMENT

The year 2006 is the first year that Europe and the United States (“the US”) fully implemented the quota system for China’s textile imports. In September 2005, the Chinese government promulgated certain provisional rules on a new quota allocation system for textiles. Under this system, effective from 22 September 2005, China-based textile manufacturers exporting to countries or regions that have (i) imposed restrictions on China’s textile and apparel exports; or (ii) entered into agreements with China relating to affected categories of China-manufactured textile and apparel products would be granted a quota by the Ministry of Commerce of China in respect of each of the affected market and affected category, and the quota was subject to review on an annual basis. The textile quotas for 2006 were allocated on the following basis: 70% of the quotas in each affected category was mainly allocated in proportion to an exporter’s share of China’s total exports to the EU and elsewhere the world in that category for the period from 1 June 2004 to 31 May 2005, and the remaining 30% was allocated based on a bidding process. On 2 December 2005, the Ministry of Commerce of China clarified that the rules should be extended to the 21 categories of restricted textile and apparel products covered by the Sino-U.S. memorandum of understanding.

Some of this year’s quotas on China’s textile exports to Europe and the US were underutilized, which was mainly due to the mismatch between the timing of the Chinese government’s textile quota allocation in 2006 and the order arrangement between manufacturers and their customers as well as the misuse of quota by some of the manufacturers. As such, the price of quota showed a decreasing trend towards the end of 2006.

On 18 September 2006 and 13 March 2007, the Ministry of Commerce of China issued Administrative Measures on Textile Exports, based on which the textile quotas for 2007 were allocated.

的方法如下：在二零零六年間對歐美有相應13個熱門類別出口實績達到一定規模的企業，按其佔中國出口該受影響產品類別至歐盟、美國及全球其他地方總值份額的比例予以業績分配，並以此為資格條件參加相應類別的協議投標。上述13個類別100%參與招標，另18個類別按實際業績進行分配。

據中國海關統計，二零零六年，中國紡織品服裝出口達1,439.7億美元，同比增長25.2%。其中，紡織品出口487.9億美元，同比增長18.6%；服裝出口951.8億美元，同比增長28.8%。在紡織品服裝的主要出口國家(地區)中，歐盟位居首位，美國、香港地區分別位列第二和第三。二零零六年，中國對歐盟出口紡織品服裝222.9億美元，同比增長21.7%；對美國出口219.3億美元，同比增長17.7%。從二零

For enterprises which can achieve a particular export target for 13 popular product categories to Europe and the US for the year of 2006, quota will be allocated in proportion to their shares of China's total exports of such affected products categories to the EU, the US and elsewhere in the world, and this will cause the enterprise to be qualified for the bidding of agreements in relation to the relevant categories. The quotas for the above 13 categories are entirely allocated by way of bid and that of the other 18 categories are allocated based on the actual performance of enterprises.

In accordance with the statistics from China Customs, China's textile and apparel exports for 2006 totaled USD143.97 billion, an increase of 25.2% as compared with the corresponding period of last year. Among such exports, textiles and apparels exports amounted to USD48.79 billion and USD95.18 billion respectively, grew by 18.6% and 28.8% as compared with the corresponding period of last year. The EU was the largest exporting countries (regions) of textiles and apparels, and the US and Hong Kong ranked second and third respectively. In 2006, China's textile and apparel exports to the EU



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零六年各月對歐、美出口額及增幅的走勢中可以看出，上半年，中國對這二個市場的出口增長相對緩慢，但進入七月份後，隨著訂單回流、配額價格趨穩等因素的帶動，單月出口增量逐步放大，速度也明顯加快，二零零六年十二月對歐盟的出口增幅已經超過上年同期。

隨著歐盟針對中國紡織品設限將於二零零八年一月一日後取消，歐盟將會實施反傾銷或技術性貿易壁壘措施，限制中國對歐盟紡織品服裝出口的大幅增長。二零零七年至二零零八年度內歐盟將先後實施三項技術性貿易壁壘，將會對中國紡織服裝出口帶來一定的負面影響。這三項技術性貿易壁壘分別是能耗產品環境化設計指令（簡稱EUP指令），化學品註冊、評估、許可和限制法規的提案（簡稱REACH法規），製成品中全氟辛烷醯基化合物的含量不能超過品質的0.005%（簡稱PFOS禁令）。EUP指令涉及所有依靠能源的產品，要求在設計階段就綜合考慮產品生命週期各階段的环境因素，是對產品要求最全面的指令；PFOS作為紡織品和皮革製品防水、防油污處理劑的主要活性成分，被部分用於高檔紡織品、皮革製品和地毯等表面處理，中國國內目前還尚未研發出完全符合歐盟對PFOS控制標準的紡織用助劑；REACH法規規定的近3萬種化工產品大多屬於大宗、低值、原材料和生產過程污染比較嚴重的產品。

amounted to USD22.29 billion, an increase of 21.7% when comparing with the last corresponding period; exports to the US amounted to USD21.93 billion, an increase of 17.7% from the last corresponding period. The exports to Europe and the US and its growth in 2006 reflected the growth in exports to these two markets from the China was relatively slow in the first half of the year. However, due to the return of purchase orders and stable quota prices, a rebound in exports and its growth rate was recorded in July. In December 2006, the growth rate in the export to the EU has surpassed the corresponding period of last year.

Following the lifting of the EU's restrictions on China's textiles on 1 January 2008, the EU will contain the enormous growth in China's textile and apparel exports to the EU by adopting anti-dumping measures or setting up technical trade barriers. The three technical trade barriers to be implemented between 2007 and 2008 are the Directive for environmentally friendly design of energy-using products (EUP Directive), the Proposal of Chemicals Registration, Evaluation, Licensing and Restrictions Regulations (REACH Regulation) and the 0.005% threshold for perfluorooctane sulfonate content in the substances of finished products (PFOS restrictions), which will have considerable negative impact on the export of China's textiles and apparels. The EUP Directive covers all energy-using products and is the most comprehensive directive regarding product requirement which stipulates the consideration of environmental factors for each phase of a product life cycle during the design stage. PFOS is a key active ingredient in waterproofing and greaseproofing treatment agents for textiles and leather goods and is occasionally used for the surface treatment of high-end textiles, leather goods and carpets. In China, chemical agents for textiles which fully comply with the EU's PFOS standard are not yet developed. About 30,000 chemical products provided in the REACH Regulation are mainly those which are in bulk, low-valued, raw and cause serious pollution during production.

根據中國海關總署發佈的統計資訊，二零零六年中國對外貿易規模高達17,606.9億美元，比上年淨增3,387.8億美元，增長23.8%，實現貿易順差1,774.7億美元。貿易順差的持續擴大，使得中國政府將國際收支平衡放在重要位置。二零零六年九月十四日中國政府發佈關於調整部分商品出口退稅率的通知，其中將紡織品的出口退稅率從13%降至11%，而服裝類產品的出口退稅率仍維持在13%。市場預見中國政府於二零零七年將會促進外貿增長方式的轉變，努力改善國際收支不平衡狀況，採取的措施包括嚴格控制高耗能高污染資源性產品出口，支援擁有自主知識產權的產品出口，適當擴大內需等。

於二零零五年七月二十一日，中國人民銀行發佈《關於完善人民幣匯率形成機制改革的公告》，決定實行以市場供求為基礎，參考一籃子貨幣進行調節，有管理的浮動匯率制度，人民幣匯率不再緊接單一美元，形成更富彈性的人民幣匯率機制。比較二零零五年十二月三十一日，截止二零零六年十二月三十一日，人民幣升值3.24%，比較匯率改革前1美元兌人民幣8.28元，人民幣匯率已累計升值約5.68%。縱觀二零零六年來的表現，人民幣匯率大體上維持著有序、穩健、可控的運行格局。

二零零六年全球棉花的供需狀況基本維持平衡，消費量略高於生產量。從中國國內情況看，由於歐美國家對中國紡織服裝產品實施過渡性配額，加上中國棉花的大幅增產，使得中國棉花的供需缺口有所縮小。棉花產量由二

According to the statistics published by Customs General Administration of China, China's foreign trade for 2006 amounted to USD1,760.69 billion, representing a net increase of USD338.78 billion or 23.8% as compared with the previous year and realizing a trade surplus of USD177.47 billion. The continuous increase in trade surplus caused the Chinese government to pay special attention to the balance of payments. On 14 September 2006, the Chinese government issued a notice concerning the adjustments to the tax rebates for certain exports, which lowered the tax rebate for textile exports from 13% to 11%, while that for apparels remained at 13%. The market expects the Chinese government will cause changes in the components of foreign trade in 2007, with an aim to redress the imbalance of the balance of payments. Measures to be taken include tough restrictions on the export of energy-consuming and highly pollutive resource products, support to the export of products with autonomous intellectual property and optimal expansion of domestic demand.

On 21 July 2005, the People's Bank of China issued the Announcement on Reforms to Improve the Renminbi ("RMB") Exchange Rate Regime, announcing its decision to establish a more flexible RMB exchange rate regime by abandoning the RMB peg to US dollars and adopting a managed floating exchange rate for RMB based on market demand and supply with reference to a basket of currencies. As at 31 December 2006, RMB had appreciated by 3.24% as compared to 31 December 2005, while the exchange rate was USD1:RMB8.28 prior to the reform, with an accumulated appreciation of approximately 5.68%. Looking back to 2006, the RMB exchange rate generally showed an orderly and stable trend and was under control.

The global supply and demand of cotton generally remained stable in 2006, while consumption was slightly higher than production. Given the transitional quota for China's textiles and apparels imposed by European countries and the US as well as the significant increase in cotton production in China, the gap between cotton supply and demand in China has narrowed. Cotton production increased from

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零五年度的570萬噸增至二零零六年的650萬噸，消費量由二零零五年的960萬噸增至二零零六年的1,020萬噸，消費增速不及產量增速，使得年內中國的棉花供需缺口由390萬噸降至370萬噸。整體而言，棉紗價格整體平穩，未出現明顯的單邊漲跌情形。

業務回顧

二零零六年申洲國際經歷了產品組合、客戶結構、市場分佈、生產基地等多方面的調整與完善過程，上述措施將為申洲國際未來持續而健康的發展奠定良好的基礎。回顧年內業務發展，總結為以下幾個方面：

運動類服裝比例持續大幅提升

二零零六年本集團在確保休閒服穩定發展的基礎上進一步提升運動類服裝佔本集團營業額的比例。於回顧年內，本集團與NIKE、ADIDAS及PUMA等國際知名運動品牌客戶的合作關係更趨緊密，三家客戶均已通過本集團實驗室對其面料與成衣的檢測許可，而NIKE專用工廠與服裝設計開發中心亦已經開始運作。截至二零零六年十二月三十一日止年度，運動類服裝所佔總銷售額的比例從二零零五年的9.3%提升至約15.6%。

5.7 million tons in 2005 to 6.5 million tons in 2006, while consumption increased from 9.6 million tons in 2005 to 10.2 million tons in 2006. The higher growth rate of production reduced the difference between cotton supply and demand from 3.9 million to 3.7 million. Overall, yarn price was stable throughout the year with no significant fluctuations.

BUSINESS REVIEW

In 2006, Shenzhou International has taken various measures to adjust and improve different aspects of our business including product mix, customer structure, market regions and production base, thus laying a solid foundation for its continual and healthy development in the future. The business development during the year under review is summarized as follows:

CONTINUOUS SUBSTANTIAL GROWTH IN THE CONTRIBUTION FROM SPORTS WEAR

While securing the stable development of the casual wear business, the Group further boosted the contribution of sports wear to the Group's turnover in 2006. During the year under review, the Group worked more closely with internationally renowned sports brands such as NIKE, ADIDAS and PUMA. The Group's laboratory has been awarded accreditation certificates by these customers for carrying out stated tests for both fabrics and garments, and the factory and apparel design and development centre designated for NIKE has commenced operation. For the year ended 31 December 2006, sports wear contributed to approximately 15.6% of the total sales, as compared to 9.3% in 2005.

歐盟與中國市場得到快速發展

憑藉本集團的綜合競爭實力，並受惠於本集團所獲得的歐盟二零零六年度紡織品配額，二零零六年本集團在歐盟市場的發展表現出良好態勢。比較二零零五年的6.4%比例，截至二零零六年十二月三十一日止年度出口歐盟服裝佔本集團銷售額的比例約11.4%。此外，受惠於NIKE在中國市場的快速發展，二零零六年本集團在中國市場的成衣營業額已經逾人民幣101,206,000元。

生產能力及配套擴充

回顧年度內，本集團在二零零六年染整能力(以染整廠房及配套設施計)擴充的基礎上增購了新的染整設備，其中包括國際上最先進的全自動高溫染色系統設備，該系統調試完成後可以使本集團染色的設備產能每天新增60噸。此外，本年度織造、印繡花及製衣等工序亦有所擴充。

另外，NIKE專用工廠已於二零零六年九月份啟用，該廠區的制衣產能每月逾140萬件，而ADIDAS專用廠區亦已開始建設，預計二零零七年八月竣工投入使用，該廠區的製衣產能每月逾200萬件。製衣工序的產能得以擴充，使本集團整體產能得到相對平衡發展，能持續滿足本集團客戶新增訂單及未來規劃的需要。此外，年度內本集團亦新增中樣染色機50台，使本集團中樣日產達到300款樣式。

RAPID DEVELOPMENT OF THE MARKETS IN THE EU AND CHINA

Leveraging on the Group's integrated competitiveness and benefited from the EU textile quotas obtained by the Group in 2006, the Group gained positive momentum in the EU market during the year. For the year ended 31 December 2006, apparel exports to the EU accounted for approximately 11.4% of the Group's total sales, as compared to 6.4% in 2005. In addition, the Group benefited from the rapid growth of NIKE in the Chinese market and recorded a turnover of over RMB101,206,000 in 2006.

EXPANSION OF PRODUCTION CAPACITY AND ANCILLARY FACILITIES

During the year under review, in order to expand the dyeing and finishing capacity (in terms of dyeing and finishing plant and its ancillary facilities), the Group acquired new dyeing and finishing equipment, including fully-automated and high-temperature dyeing system and equipment. The system is one of the most advanced in the world, and can enhance the Group's daily dyeing capacity by 60 tons after testing. Furthermore, the Group also improved its knitting, printing and embroidery and manufacturing processes during the year.

The factory designated for producing NIKE's products, which commenced operation in September 2006, has a garment production capacity of over 1.4 million pieces per month. In addition, the factory designated for producing ADIDAS's products has commenced construction work and is expected to be completed and put into operation in August 2007, with a monthly production capacity of over 2 million pieces. The expansion of production capacity allowed the Group to maintain a balanced development of the overall capacity and continuously fulfill the Group's needs of new orders from its clients and future planning. During the year, the Group also purchased 50 new medium batch dyeing machines to enhance its medium batch dyeing capacity to 300 styles daily.

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產品品質持續提高

回顧年內，由於NIKE、ADIDAS及PUMA等運動類品牌客戶訂單的增加，促使本集團進一步加強品質監控，推動本集團產品品質持續提高。於二零零五年建成面積超過6,000平方米並達到中國先進水準的面料實驗室，年內已相繼通過NIKE、ADIDAS及UNIQLO等重要客戶的檢測驗收，標誌著本集團可以為該等客戶直接提供面料及成衣檢測服務，而無需通過第三方的檢測。年內，NIKE與本集團共同營運的「申洲NIKE設計開發中心」相繼投入使用，也顯示NIKE對本集團產品品質持續提高的肯定。

柬埔寨製衣工廠已趨成熟

本集團於二零零五年九月底正式投產的柬埔寨製衣工廠經過整年的發展，目前員工已逾2,500人，成衣產能每月已超過85萬件，服務對象除原北美客戶，也配合了UNIQLO的策略調整。由於已通過NIKE、ADIDAS、PUMA及UNIQLO的驗廠，來自於UNIQLO、NIKE等客戶的訂單呈現快速上升趨勢。本集團在柬埔寨的製衣能力將應重要客戶需要而持續擴充，致力發展為一個在中國境外且具規模的重要製衣基地，配合本集團的整體策略安排，能為客戶保障產品供應上的安全與快捷。

CONSISTENT ENHANCEMENT OF PRODUCT QUALITY

During the year under review, the Group put extra efforts in quality control in order to cope with a larger number of orders from sports brand customers such as NIKE, ADIDAS and PUMA, which has resulted in an ongoing enhancement of product quality. Our fabrics laboratory, which has an area of over 6,000 sq.m. and reaches a sophisticated standard in China, was completed in 2005 and was inspected and approved by our major customers such as NIKE, ADIDAS and UNIQLO during the year. This signifies that the Group is capable of providing fabrics and garments testing services directly to these customers without third-party testing. During the year, the Shenzhou NIKE Design and Development Centre, jointly operated by NIKE and the Group, commenced operation, which served as a recognition by NIKE for the Group's consistently high product quality.

MATURE DEVELOPMENT OF THE CAMBODIAN GARMENT FACTORY

After a full-year development, the Group's garment factory in Cambodia, which commenced production in September 2005, has over 2,500 employees capable of producing 850,000 pieces of garments per month. The Company serves mainly North American customers. After successful compliance inspections of the Group's Cambodian garments factory by NIKE, ADIDAS, PUMA and UNIQLO, and coordination with UNIQLO's strategic adjustments, the customer orders from UNIQLO, NIKE, etc. placed in the Cambodian factory are increasing rapidly. The Group will continuously expand the production capacity of the Cambodian factory in response to customer needs, with an aim to develop the factory into our major and established manufacturing base outside China. Together with our overall strategic arrangement, the Group can ensure the stable and timely supply of products to our customers.

財務回顧

銷售額

銷售額由截至二零零五年十二月三十一日止年度的人民幣2,482,984,000元，增至截至二零零六年十二月三十一日止年度的人民幣2,979,530,000元，增加了人民幣496,546,000元，增幅達20%。增長因素主要表現為1)來自運動服裝銷售額持續快速上升；2)日本的客戶需求隨著日本本土經濟反彈而增加；以及3)成功開拓歐洲與中國市場所得的成效。

以下為本集團二零零六年度及二零零五年度按產品類別分析的銷售額比較：

FINANCIAL REVIEW

Sales

Sales for the year ended 31 December 2006 amounted to RMB2,979,530,000, an increase of RMB496,546,000 or 20% compared to RMB2,482,984,000 for the year ended 31 December 2005. The growth was mainly driven by 1) the continuous and sharp increase in the sales of sports wear; 2) the increase in demands from Japanese customers in line with the rebounds of the Japanese domestic economy; and 3) the successful expansion into the European and Chinese markets.

Sales of the Group analysed by product categories for 2006 and 2005 are compared as follows:

| | | 截至十二月三十一日止年度 For the year ended 31 December | | | | | |
|-------|-------------------------|--|--------------|------------------|-------|------------------|--------|
| | | 二零零六年 2006 | | 二零零五年 2005 | | 變動 Change | |
| | | 人民幣千元 RMB'000 | | 人民幣千元 RMB'000 | | 人民幣千元 RMB'000 | |
| | | | % | | % | | % |
| 按產品 | By product | | | | | | |
| 休閒類服裝 | Casual wear | 2,410,068 | 80.9 | 2,028,015 | 81.7 | 382,053 | 18.8 |
| 運動類服裝 | Sports wear | 463,607 | 15.6 | 230,478 | 9.3 | 233,129 | 101.2 |
| 其他針織品 | Other knitting products | 105,855 | 3.5 | 224,491 | 9.0 | (118,636) | (52.8) |
| 銷售總計 | Total sales | 2,979,530 | 100.0 | 2,482,984 | 100.0 | 496,546 | 20.0 |

截至二零零六年十二月三十一日止年度，運動類服裝佔營業額比例大幅提高，主要受惠於本集團為NIKE、ADIDAS及PUMA等知名運動品牌代工業務的銷售量持續增加。比較截至二零零五年十二月三十一日止年度的9.3%，截至二零零六年十二月三十一日止年度的運動服裝所佔總銷售額的比例持續提升至15.6%。

For the year ended 31 December 2006, the significant growth in the contribution from sports wear was mainly due to a continuous increase in OEM operation for renowned sports brands such as NIKE, ADIDAS and PUMA. Sports wear accounted for 15.6% of the Group's total sales for the year ended 31 December 2006, representing a continual increase compared to 9.3% for the year ended 31 December 2005.

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休閒類服裝銷售額由截至二零零五年十二月三十一日止年度的人民幣2,028,015,000元，增至截至二零零六年十二月三十一日止年度的人民幣2,410,068,000元，增加了人民幣382,053,000元，增幅達18.8%。其主要增長為UNIQLO、DECATHLON、RUSSELL等客戶對本集團的採購量增加。

以下為本集團二零零六年度及二零零五年度按市場劃分的銷售額比較：

For the year ended 31 December 2005, sales from casual wear amounted to RMB2,028,015,000, which increased to RMB2,410,068,000 for the year ended 31 December 2006, representing an increase of RMB382,053,000 or 18.8%, mainly due to an increase in the purchases from the Group's customers such as UNIQLO, DECATHLON and RUSSELL.

Sales of the Group analysed by regions for 2006 and 2005 are compared as follows:

| | | 截至十二月三十一日止年度 | | | | | |
|--------|-----------------------------------|--------------------------------|--------------|-----------|-------|---------|-------|
| | | For the year ended 31 December | | | | | |
| | | 二零零六年 | | 二零零五年 | | 變動 | |
| | | 2006 | | 2005 | | Change | |
| | | 人民幣千元 | | 人民幣千元 | | 人民幣千元 | |
| | | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| 按市場 | By regions | | | | | | |
| 日本 | Japan | 2,250,287 | 75.5 | 2,017,248 | 81.2 | 233,039 | 11.6 |
| 歐洲 | Europe | 339,337 | 11.4 | 159,341 | 6.4 | 179,996 | 113.0 |
| 美國 | The US | 105,627 | 3.6 | 79,418 | 3.2 | 26,209 | 33.0 |
| 其他國家 | Other countries | 105,121 | 3.5 | 42,716 | 1.8 | 62,405 | 146.1 |
| 國際銷售小計 | Sub-total for international sales | 2,800,372 | 94.0 | 2,298,723 | 92.6 | 501,649 | 21.8 |
| 國內銷售 | Domestics sales | 179,158 | 6.0 | 184,261 | 7.4 | (5,103) | (2.8) |
| 銷售總計 | Total sales | 2,979,530 | 100.0 | 2,482,984 | 100.0 | 496,546 | 20.0 |

截至二零零六年十二月三十一日止年度，歐盟市場佔營業額比例得以提高，其主要原因在於本集團綜合競爭實力的提升及所取得的二零零六年歐盟紡織品配額的支持，本集團歐洲客戶Decathlon採購量持續增長所致。比較二零零五年的6.4%，二零零六年歐盟市場佔本集團總銷售額為11.4%。

For the year ended 31 December 2006, the increase in the contribution to turnover from the EU markets was mainly attributable to the Group's stronger integrated competitiveness and the EU textile quotas obtained by the Group in 2006, and the continual increase in the purchases made by Decathlon, the Group's European customer. The EU market accounted for 11.4% of the Group's total sales for 2006, compared to 6.4% for 2005.

於截至二零零六年十二月三十一日止年度，國內銷售中，服裝成衣銷售額約為人民幣101,206,000元（二零零五年：人民幣46,886,000元），主要為NIKE、UNIQLO及ITOUCH等客戶提供產品於國內銷售。

銷售成本及毛利

本集團截至二零零六年十二月三十一日止年度的銷售成本約為人民幣2,340,483,000元（二零零五年：人民幣1,908,661,000元）。二零零六年度本集團銷售毛利率為21.4%，較二零零五年度的23.1%減少約1.7%。毛利率降低的主要原因為：1) 應對運動類服裝客戶預期於二零零七年業務的較大幅度增加而招聘較多員工，該些員工大部分需經歷上崗培訓與實習期，產出量於該期間未達至相應規模，而增加單位人工成本所致；及2) 公司於本年度內為擴大產能而增加了物業、廠房及設備的資本開支，而該等新增物業、廠房及設備的產能利用率處於提升過程而使折舊成本上升。

本公司股權持有人應佔權益

於二零零六年十二月三十一日，本公司股權持有人應佔本集團權益為人民幣2,061,802,000元（二零零五年：人民幣1,702,022,000元）。其中非流動資產為人民幣1,821,114,000元（二零零五年：人民幣1,330,951,000元）、流動資產淨值為人民幣253,202,000元（二零零五年：人民幣383,223,000元）及少數股東權益為人民幣12,514,000元（二零零五年：人民幣12,152,000元）。本公司股權持有人應佔權益增加主要由於保留盈利增加所致。

Domestic sales of garments amounted to approximately RMB101,206,000 for the year ended 31 December 2006 (2005: RMB46,886,000), mainly related to the supply of products to customers such as NIKE, UNIQLO and ITOCHU for domestic sale.

COST OF SALES AND GROSS PROFIT

The Group's cost of sales for the year ended 31 December 2006 amounted to approximately RMB2,340,483,000 (2005: RMB1,908,661,000). The gross profit margin of the Group's sales for 2006 was 21.4%, which is approximately 1.7% lower as compared to 23.1% for 2005. The main reason for the decline in our gross profit margin was: 1) more staff had been recruited to handle the expected substantial increase in the business of sports wear customers for 2007, and most of these staff need to undergo an induction and probationary period, during which the production capacity has not been up to scale, and labour cost per unit has been increased; and 2) capital expenditures for property, plant and equipment increased in line with the Company's enhancement in production capacity during the year, while the higher production capacity utilization of these new property, plant and equipment was still under the process of enhancement, which led to higher depreciation charges.

EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

As at 31 December 2006, the Group's equity attributable to the Company's equity holders was RMB2,061,802,000 (2005: RMB1,702,022,000), of which non-current assets were RMB1,821,114,000 (2005: RMB1,330,951,000), net current assets were RMB253,202,000 (2005: RMB383,223,000) and minority interests were RMB12,514,000 (2005: RMB12,152,000). The increase in equity attributable to the Company's equity holders was mainly due to the increase in retained profits.

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流動資金及財務資源

截至二零零六年十二月三十一日止年度，本集團經營業務所得現金淨額約人民幣570,879,000元，而二零零五年則約為人民幣392,555,000元。本集團於二零零六年十二月三十一日之借貸淨額（銀行借貸減現金及現金等價物）為人民幣43,342,000元，較二零零五年之現金淨額結餘為人民幣1,064,000元，現金淨額結餘減少了人民幣44,406,000元。主要原因是為了進一步提高產能以滿足訂單上升的需求，而對廠房、設備等的資金投入增加。

本集團於二零零六年十二月三十一日的現金及現金等價物為人民幣273,994,000元（二零零五年：人民幣559,801,000元），總借貸餘額為人民幣317,336,000元（二零零五年：人民幣558,737,000元），均為短期貸款。本公司股權持有人應佔權益為人民幣2,061,802,000元（二零零五年：人民幣1,702,022,000元）。本集團現金流動狀況良好。負債對權益比率（按未償還總借貸佔本公司股權持有人應佔權益百分比計算）為15.4%（二零零五年：32.8%）。

於二零零六年十二月三十一日，本集團主要借貸均按固定利率計息。本集團並無利用利率掉期來對沖利率風險。

融資成本及稅項

於截至二零零六年十二月三十一日止年度，融資成本從二零零五年之開支人民幣53,164,000元，大幅減少至人民幣15,081,000元，主要原因是按照上市所得款項用途計畫，部分上市所得款項及本年度經營活動產生的現金償還了銀行借款，使本集團的銀行借款金額有顯著的下降。年內本集團的美元及人民幣貸款利率分別介乎5.27%至6.49%以及介乎4.70%至5.58%。

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2006, net cash generated from the Group's operating activities amounted to approximately RMB570,879,000, while that for 2005 was approximately RMB392,555,000. Net borrowings (bank borrowings less cash and cash equivalents) of the Group as at 31 December 2006 amounted to RMB43,342,000, the net cash balance was decreased by RMB44,406,000 as compared to that of 2005, which amounted to RMB1,064,000. The decrease was mainly due to increased investments in plant and equipment, etc. in order to further improve production capabilities to satisfy the needs of increasing orders.

Cash and cash equivalents of the Group as at 31 December 2006 amounted to RMB273,994,000 (2005: RMB559,801,000). The total balance of our borrowings was RMB317,336,000 (2005: RMB558,737,000), all being short-term loans. Equity attributable to equity holders of the Company amounted to RMB2,061,802,000 (2005: RMB1,702,022,000). The Group was in a healthy liquidity position, with a debt to equity ratio (total outstanding borrowings as a percentage of equity attributable to the Company's equity holders) of 15.4% (2005: 32.8%).

As at 31 December 2006, the majority of the borrowings of the Group were subject to interests payable at fixed rates. The Group did not enter into any interest rate swaps to hedge itself against the risks associated with interest rates.

FINANCE COSTS AND TAXATION

For the year ended 31 December 2006, finance cost dropped significantly to RMB15,081,000 from RMB53,164,000 for 2005, mainly due to the utilization of part of the proceeds from the listing (in accordance with the plans on the use of proceeds from the listing) and the cash generated from operating activities for the year in repayment of bank borrowings, and this has resulted in a significant decrease in the bank borrowings of the Group. The Group's USD and RMB loan interest rates during the year ranged from 5.27% to 6.49% and 4.70% to 5.58%, respectively.

於截至二零零六年十二月三十一日止年度，本集團的所得稅支出從截至二零零五年十二月三十一日止年度之人民幣2,429,000元，大幅上升至人民幣19,001,000元。主要原因是本公司主要附屬公司寧波申洲針織有限公司（「申洲針織」）獲豁免所得稅。截至二零零六年十二月三十一日止年度，申洲針織獲減半稅項優惠政策，從而導致本集團整體稅項負擔增加。

本集團之資產抵押

於二零零六年十二月三十一日，除本集團合共約人民幣182,000元（二零零五年：人民幣2,310,000元）存放於若干銀行的存款作為銀行授出若干貿易融資信貸之抵押外，本集團並無以本集團任何資產作為其銀行借貸之抵押。

本公司首次公開售股所得款項之用途

本公司於二零零五年十一月在香港聯合交易所有限公司主板上市時發行新股之所得款項，在扣除相關股份發行開支後約為856,000,000港元。此等所得款項部分已於上市日後至二零零六年十二月三十一日止期間按照本公司於二零零五年十一月十五日刊發之售股章程（「售股章程」）所載之建議用途動用，載列如下：

- 約134,718,000港元（約人民幣137,749,000元）用作本集團在中國生產設施購置新染整設備；
- 約46,129,000港元（約人民幣47,167,000元）用作在中國生產主要用於運動服裝的功能性面料購置新廠房及設備；
- 約41,063,000港元（約人民幣41,987,000元）用作本集團在中國生產設施購置新織造設備；

For the year ended 31 December 2006, income tax expense of the Group substantially increased to RMB19,001,000 from RMB2,429,000 for the year ended 31 December 2005, mainly because Ningbo Shenzhou Knitting Co., Ltd. ("Shenzhou Knitting"), the Company's major subsidiary, was entitled to an exemption from income taxes. For the year ended 31 December 2006, Shenzhou Knitting has entitled to a 50% tax reduction. As a result, there was an overall increase in taxation for the Group.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2006, other than deposits with certain banks with a total amount of approximately RMB182,000 (2005: RMB2,310,000) pledged as securities for certain trade financing facilities granted by the banks, the Group did not pledge any of its assets for its bank borrowings.

USE OF THE COMPANY'S PROCEEDS FROM THE INITIAL PUBLIC OFFERING

Proceeds from the issue of new shares of the Company for listing on the Main Board of the Stock Exchange of Hong Kong Limited in November 2005, after deducting related share issue expenses therefrom, amounted to approximately HK\$856 million. During the period from the date of listing to 31 December 2006, part of such proceeds had been utilized in accordance with the proposed use as set out in the prospectus of the Company dated 15 November 2005 (the "Prospectus"), as follows:

- approximately HK\$134,718,000 (approximately RMB137,749,000) for the acquisition of new dyeing and finishing equipment for the Group's production facilities in China;
- approximately HK\$46,129,000 (approximately RMB47,167,000) for the acquisition of new plant and equipment in China for the production of functional fabrics mainly used in sports wear;
- approximately HK\$41,063,000 (approximately RMB41,987,000) for the acquisition of new weaving and knitting equipment for the Group's production facilities in China;

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- 約51,000,000港元(約人民幣53,050,000元)用作本集團在中國生產設施購置新裁剪與縫紉設備；
 - 約305,000,000港元(約人民幣317,261,000元)用作償還本集團部分長期銀行借貸；及
 - 約48,000,000港元(約人民幣49,930,000元)用作本集團之額外一般營運資金。
- approximately HK\$51,000,000 (approximately RMB53,050,000) for the acquisition of new cutting and sewing equipment for the Group's production facilities in China;
 - approximately HK\$305,000,000 (approximately RMB317,261,000) for partial repayment of the Group's long-term bank borrowings; and
 - approximately HK\$48,000,000 (approximately RMB49,930,000) as additional general working capital of the Group.

於二零零六年十二月三十一日餘下之所得款項淨額約230,090,000港元，已存放於香港及國內作為銀行存款。董事擬按售股章程所披露之方式使用該筆所得款項淨額。

As at 31 December 2006, the balance of the net proceeds of approximately HK\$230,090,000 had been deposited with banks in Hong Kong and China. The Directors intend to utilize such net proceeds in the manner disclosed in the Prospectus.

外匯風險

由於本集團銷售以美元結算為主，採購以人民幣結算為主，匯率波動對本集團的成本及經營利潤構成一定影響。本集團針對美元兌人民幣的匯率波動的現狀，採用相應政策對沖部分有關外匯風險。對沖金額視乎本集團的美元收益、採購、資本開支，還需要顧及市場預測美元對人民幣的匯率波動而定。

EXPOSURE TO EXCHANGE RISKS

As the Group's sales were mainly settled in United States Dollars whilst its purchases were mainly settled in RMB, its costs and operating profit were subject to exchange rate fluctuations. The Group adopted a policy to hedge part of its exchange risks in light of existing fluctuations of the exchange rate between USD and RMB. The amount to be hedged would depend on the Group's USD revenue, purchases and capital expenditure requirements, as well as market forecast of fluctuations in the USD to RMB exchange rate.

為免因人民幣兌美元的匯率出現任何變動而導致日後的現金流量減值及出現波動，本集團已安排了適當數量的美元借款，於二零零六年十二月三十一日，銀行借貸總額中，美元借款為人民幣177,336,000元(計原幣金額為22,710,000美元)(二零零五年十二月三十一日：人民幣38,737,000元(計原幣金額為4,800,000美元))；此外，本集團於年內已訂立外匯遠期銷售合約，以對沖若干外匯風險，尤其是美元的匯率風險。截至二零零六年十二月三十一日止年度，本集團就外匯遠期合約錄得人民幣4,583,000元的收益，而外匯遠期合約在二零零六年十二月三十一日總值約123,500,000美元。本集團並無進行任何外匯交易用作投機用途。

To protect itself against reductions in value and the volatility of future cash flows which might result from any exchange rate movement between RMB and USD, the Group had arranged for USD borrowings of an appropriate amount. As at 31 December 2006, out of the total bank borrowings, USD borrowings amounted to RMB177,336,000 (USD22,710,000 based on the original currency) (31 December 2005: RMB38,737,000 (USD4,800,000 based on the original currency)). In addition, the Group had entered into foreign exchange forward sales contracts during the year for hedging against certain foreign exchange exposures, in particular, exposure to the USD. For the year ended 31 December 2006, the Group recorded gains of RMB4,583,000 on forward exchange contracts with a total amount of approximately USD123,500,000 as at 31 December 2006. The Group had not engaged in any foreign exchange transactions for speculative purposes.

僱用、培訓及發展

於二零零六年十二月三十一日，本集團共僱用逾28,200名員工。年內，員工成本總額(包括行政及管理人員)佔本集團銷售額約18.4%。本集團按僱員的表現、資歷及行業慣例釐定給予員工的報酬，而酬金政策會定期檢討。根據年度工作表現評核，僱員或會獲發放花紅及獎金。此外，本公司亦會給予僱員獎勵或其他形式的鼓勵以推動僱員個人成長及事業發展。例如本集團持續向員工提供培訓，以提升彼等的技術、產品知識以及對行業品質標準的認識及本集團所有新員工均須參加入門課程，而全體員工亦可參加各類培訓課程。

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2006, the Group had over 28,200 employees. Total staff costs, including administrative and management staff, accounted for approximately 18.4% of the Group's sales during the year. The Group remunerated its staff according to their performance, qualifications and industry practices and conducted regular reviews of its remuneration policy. Employees would receive bonuses and monetary awards based on their ratings in annual performance appraisals. The Company also offered rewards or other incentives to motivate personal growth and career development of the employees, such as ongoing opportunities for training to enhance their technical skills and product knowledge as well as their knowledge of industry quality standards. All new staff members of the Group are required to attend an introductory course. There were also various types of training courses available to all of the employees.



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資本開支及資本承擔

於本年度內，本集團於物業、廠房及設備和土地使用權之總投資約為人民幣566,774,000元，其中約55%用作購買機器及設備、約31%用作興建新工廠大樓及購置行政樓，約11%用作購買土地使用權，而餘款則用作購買其他設備。

於二零零六年十二月三十一日，本集團已訂約購建的物業、廠房和設備之資本承擔約達人民幣189,570,000元。以首次公開售股所得款項及內部資源所得款項淨額撥付。

根據本集團與寧波市北侖區政府訂立之協議，本集團向當地政府支付人民幣126,000,000元（包括相關的管道建設費用約人民幣2,600萬）後，當地政府將以優惠之價格，向集團保證一定數量的供水量，為期20年。於二零零六年十二月三十一日，本集團已支付預付款項人民幣50,000,000元，並有達人民幣76,000,000元的尚未支付承擔。

或然負債

於二零零六年十二月三十一日，本集團概無任何重大或然負債。

未來前景及策略

服裝代工市場發展潛力龐大，並面臨歐美紡織品服裝過渡性配額結束後又一次新的發展機遇。本集團在二零零五年及二零零六年，通過兩年時間在市場、產品與客戶方面所奠定的基礎，尤其在運動類服裝領域方面取得的成績，為下一步發展提供一個更廣闊的平台。

CAPITAL EXPENDITURE AND COMMITMENTS

During the year, the Group's total investments in property, plant and equipment and land use rights amounted to approximately RMB566,774,000, of which approximately 55% was used for the acquisition of plant and equipment, approximately 31% was used for the construction of new factory buildings and the acquisition of administrative buildings, approximately 11% was used for the purchase of land use rights, and the balance was used for the purchase of other equipment.

As at 31 December 2006, the Group had capital commitments of approximately RMB189,570,000 in connection with the acquisition and construction of properties, plants and equipment, which will be financed by proceeds from the initial public offering and internal resources.

Pursuant to an agreement entered into by the Group and the Government of Beilun District, Ningbo City, the Group has agreed to pay the local government an amount of RMB126 million, including relevant pipeline constructing costs of approximately RMB26 million, in exchange for a guaranteed constant water supply, at a preferential rate, for a terms of 20 years. As at 31 December 2006, the Group has made a prepayment of RMB50,000,000 and had outstanding commitment amounting to RMB76,000,000.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no significant contingent liabilities.

FUTURE PROSPECTS AND STRATEGIES

The potential in the apparel OEM market is enormous, and there will be new development opportunities after the abolition of the transitional quota system on textiles and apparels exported to Europe and the US. With our efforts in establishing groundwork for our markets, products and customers in 2005 and 2006, in particular the success in the sports wear business, we have laid an important platform for future business development.

於二零零六年，NIKE及ADIDAS與本集團訂單安排及雙方未來合作規劃，就如集團預計相若，撤銷服裝配額後全球服裝採購的格局正發生很大的變化，二零零六年已經印證了這個變化的開始階段。當品質、價格、交貨時間、服務功能及政治穩定等因素真正成為競爭優勢時，服裝將集中於少數國家生產。服裝生產商的單體規模將有顯著擴大，而服裝採購商將篩選能提供品質優良、價格合理、交貨期短、品種齊全的生產商處進行集中採購。顯而易見，本集團在這個變革中處於非常有利的地位。

本集團將進一步整合從織布、染色與後整理、印繡花及裁剪與縫製的縱向一體化工序，並進一步擴充製衣產能。二零零七年本集團確保ADIDAS專用工廠及其服裝設計中心能順利投入使用，並儘快實現NIKE及ADIDAS兩個專用廠房高效的規模化經營。本集團同時提升各個工序的工藝水準與團隊合作，使各工序間的效能與服務能力發揮至極致。

本集團認為，二零零六年度的大額貿易順差仍將推動人民幣在二零零七年度持續升值。但由於匯率的大幅波動不利於中國經濟平穩發展，因此人民幣匯率水準仍將保持基本穩定，這是中國政府對貨幣政策的取向。隨著二零零七年新一代外匯交易系統上線，人民幣匯率彈性將顯著增強，人民幣匯率在交易過程中也將趨於活躍並會保持穩健升值的態勢。隨著本集團在中國市場營業額的上升，柬埔寨製衣工廠漸成規模，與及價格轉移能力，本集團有信心應對未來人民幣持續升值的壓力。

就二零零七年棉花價格走勢，本集團認為新疆棉花豐收，而中國國內棉花價格相對國際棉花價格是偏高的，預計二零零七年全球棉花整體供需形勢與二零零六年極為相似，基本上處於供需平衡狀態。所以，本集團認為二零零七年中國棉紗價格總體將呈現相對穩定狀態，不會出現明顯的單邊漲跌態勢。而化纖價格因供求

In 2006, the lifting of apparel quotas had a significant impact on global apparel sourcing pattern, and our order arrangements and future cooperation plans with NIKE and ADIDAS were similar to what we expected. It was only the beginning of such changes. Apparels production will concentrate in a few countries when factors such as quality, price, lead time, service quality and political stability become crucial in competition. The scale of apparel producers will increase significantly and apparel purchasers will only select producers which could offer high quality products, reasonable price, short lead time and wide product variety. It is obvious that the Group is at a vantage point in the time of such transition.

The Group will further promote a vertical integration of processes from weaving and knitting, dyeing and finishing, printing and embroidery to cutting and sewing, and will continue to expand our garment production capacity. In 2007, the Group will ensure the smooth commencement of operation of the ADIDAS factory and its apparel design centre, as well as work towards a standardized operation of NIKE and ADIDAS factories with high efficiency. The Group will also enhance the technical skills of different processes and strengthen cooperation between each team, so as to maximize the efficiency and service capacity.

In our opinion, the huge trade surplus in 2006 will continue to fuel the appreciation of RMB in 2007. Great fluctuations in exchange rate, however, will adversely affect the steady economic development of China, thus the Chinese government will adopt a monetary policy that maintains a stable RMB exchange rate. The use of a new foreign exchange trading system in 2007 will significantly enhance the flexibility of the RMB exchange rate, which will have more active trading and show a stable rising trend. With the increase in our turnover for the Chinese market, the mature development of the Cambodian garment factory and the ability to shift prices, the Group is confident that we can cope with the future RMB appreciation.

Our forecast of cotton price in 2007 is that in view of the good harvest in Xinjiang and the relatively higher cotton price in China compared with international prices, it is anticipated that the global cotton supply and demand for 2007 will be very similar to that of 2006 and will show a balance supply and demand. Therefore, the Group considers that yarn price for 2007 will be generally stable in China without significant unilateral fluctuations. Price range of chemical

管理層討論及分析

Management Discussion and Analysis

關係開始逐步處於相對穩定狀況，且二零零六年第四季度國際油價明顯回落，或會推動化纖價格處於較低價格區間。

休閒服裝仍將是本集團之主流產品，具有穩固的客戶與市場，銷售額繼續穩步提高。而二零零五年及二零零六年為運動類服裝發展所奠定的基礎，將大力推動NIKE、ADIDAS及PUMA等國際知名體育運動品牌客戶有更好的表現。借助二零零八年北京奧運會之機遇，及中國市場良好的發展前景，本集團相信，未來數年運動服裝的銷售額比例將不斷得以提升，期待達到更高的比例水準。此外，女性內衣在年內也有良好開端，使本集團產品呈多樣化發展，培育新的增長潛力。

日本仍作為本集團的主要市場，佔二零零六年度之銷售額約75.5%，本集團期望鞏固並持續發展日本市場。而同時本集團借助現有國際著名客戶的基礎、柬埔寨設立的生產基地，及獲取二零零七年度歐美紡織品配額，穩健並積極開拓歐美市場；本集團亦會同時積極拓展中國市場，實現市場多元化，以降低日本作為主要市場所帶來的經營風險。

二零零七年，本集團將進一步擴充柬埔寨製衣工廠產能，以配合UNIQLO採購策略的調整，及NIKE、ADIDAS及PUMA等重要客戶採購上的安全，形成具規模、穩定盈利的生產基地。

為鞏固本集團作為中國規模最大的縱向一體化針織服裝製造商之地位，以及應付客戶經常轉變的需求，本集團有意進一步擴大其面料與成衣設計隊伍，以提升新面料開發及成衣設計能力，並積極向相關產業發展，以尋求更有發展前景的產業空間。

fiber may be lowered due to a relatively stable supply and demand and the substantial drop in international oil prices in the fourth quarter of 2006.

Casual wear, which continues to be the Group's core product, has an established clientele and market and the sales contribution is expected to increase steadily. The foundation we laid in 2005 and 2006 for the sports wear business will promote better results for globally renowned sports brand customers such as NIKE, ADIDAS and PUMA. Given the opportunities brought by the 2008 Beijing Olympics and the promising future of the Chinese market, the Group believes that the proportion of sales from sports wear will continue to increase in the coming years. In addition, the successful beginning of the lingerie business during the year allows the Group to diversify its products and explore new growth potential.

Japan contributes approximately 75.5% to the sales for 2006 and remains the Group's principal markets. The Group's objective is to strengthen its position in the Japanese market and put greater effort in market development. By leveraging on the existing clientele of world famous customers, the manufacturing base in Cambodia and the textile quotas acquired for 2007, the Group will aggressively develop the European and the US markets. Meanwhile, the Group will also actively develop the Chinese market, with an aim to realize market diversification and minimize operating risks from our major Japan market.

The Group will continue to strive for production capacity expansion of the Cambodian factory in 2007, so as to be in line with the adjustments in UNIQLO's sourcing strategies and secure a stable supply to important customers such as NIKE, ADIDAS and PUMA. Our intention is to develop the Cambodian factory into an established manufacturing base with stable profitability.

The Group intends to enhance its capabilities of new fabrics development and garment design by expanding its fabric and garment design team, as well as exploring new sectors with promising development opportunities by actively expanding into related businesses, targeting at reinforcing its position as the largest vertically integrated knitwear manufacturer in China and responding to ever-changing demand from customers.