

董事會報告

Report of the Directors

申洲國際集團控股有限公司（「本公司」）董事欣然將本公司及其附屬公司（統稱「本集團」）截至二零零六年十二月三十一日止年度報告連同經已審核的財務報表呈覽。

主要業務及營運地區的分析

本公司之主要業務為投資控股。其附屬公司之主要業務載於財務報表附註8。

本集團於本年度之表現按業務及地區之分析載於財務報表附註5。

業績及股息

本集團截至二零零六年十二月三十一日止年度之業績以及本公司及本集團於該日之財務狀況載於財務報表第70頁至123頁。

董事建議就截至二零零六年十二月三十一日止年度向二零零七年六月五日營業時間結束時名列本公司股東名冊上之股東，派發末期股息每股0.15港元（相當於約人民幣0.15元）。有待股東在二零零七年六月八日舉行之應屆股東週年大會上批准後，方可作實。

截至二零零六年十二月三十一日止六個月並無宣派中期股息。

於截至二零零六年十二月三十一日止年度，本公司股東概無放棄或同意放棄任何股息的安排。

The Directors of Shenzhou International Group Holdings Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on page 70 to 123.

The Directors recommend a payment of a final dividend of HK\$0.15 (equivalent to approximately RMB0.15) per share for the year ended 31 December 2006, subject to shareholders' approval at the forthcoming annual general meeting to be held on 8 June 2007, to the shareholders whose names appear on the Register of Members of the Company at the close of business on 5 June 2007.

No interim dividend was declared for the six months ended 31 December 2006.

There was no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2006.

儲備

年內本公司及本集團儲備變動之詳情分別載於財務報表附註16及綜合權益變動表。

捐款

年內本集團的慈善捐款及其他捐獻為人民幣4,293,000元。

物業、廠房及設備

本集團物業、廠房及設備變動詳情載於財務報表附註7。

股本

年內本公司之法定或已發行股本並無變動。

可供分派儲備

按照開曼群島公司法第二十二章(一九六一年第三號法例，經綜合及修訂)計算，本公司於二零零六年十二月三十一日的可供分派儲備為人民幣384,834,000元，其中人民幣187,628,000元已建議用作本年度末期股息。

優先購股權

根據本公司組織章程細則中並無優先購股權之條文，而開曼群島之法律亦無規定本公司於發行新股時，須按比例給予現有股東該等權利的限制。

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 16 to the financial statements and in the consolidated statement of changes in equity, respectively.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB4,293,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2006, calculated in accordance with the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB384,834,000, of which RMB187,628,000 has been proposed as final dividend for the year.

PRE-EMPTIVE RIGHTS

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

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財務資料摘要

本集團過往五個財政年度的業績及資產、負債及少數股東權益摘要載於第124頁。

購買、出售或購回證券

本公司或其任何附屬公司於截至二零零六年十二月三十一日止年度概無購買、贖回或出售本公司任何上市證券。

購股權計劃

於二零零六年十二月三十一日，本公司並無任何購股權計劃。

董事

本年度內及截至本報告日期之董事如下：

執行董事：

馬建榮先生
黃關林先生
馬仁和先生
陳忠靜先生
鄭妙輝女士

獨立非執行董事：

錢鋒先生
宗平生先生
戴祥波先生

根據本公司組織章程第87(1)條，馬仁和先生、鄭妙輝女士及錢鋒先生將於應屆股東週年大會輪值告退。惟彼等符合資格並願膺選連任。

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 124.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2006.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 31 December 2006.

DIRECTORS

The Directors during the year and up to the date of the report were:

Executive Directors:

Mr. Ma Jianrong
Mr. Huang Guanlin
Mr. Ma Renhe
Mr. Chen Zhongjing
Ms. Zheng Miaohui

Independent Non-executive Directors:

Mr. Qian Feng
Mr. Zhong Pingsheng
Mr. Dai Xiangbo

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Ma Renhe, Ms. Zheng Miaohui and Mr. Qian Feng shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

獨立非執行董事均以三年任期委任。本公司已接獲錢鋒先生、宗平生先生及戴祥波先生之年度獨立性確認書，於本報告刊發日期，認為彼等均為獨立人士。

董事之服務合約

各執行董事均與本公司簽訂服務合約，並為期三年。根據服務合約，任何一方可向另一方發出不少於三個月的事先書面通知，隨時終止服務協議。

各獨立非執行董事均與本公司簽訂服務合約，並為期三年。根據服務合約，獨立非執行董事可發出不少於三個月的事先書面通知，隨時終止服務協議。

根據服務合約，各執行董事可獲發年度酌情管理花紅，由董事會薪酬委員會批准，惟本集團在任何財政年度向所有執行董事發放之酌情管理花紅總額，不得超逾有關財政年度本集團除稅及少數股東權益以及扣除酌情管理花紅總額後但未計非經常項目前淨利潤的5%。

董事之合約權益

除以下「關連交易」以及財務報表附註33「關連人士交易」所披露者外，年內，各董事在本公司或其任何控股公司、附屬公司或同系附屬公司所訂立而對本集團業務而言屬重大之合約中概無直接或間接擁有重大權益。

The Independent Non-executive Directors are appointed for terms of three years. The Company has received annual confirmations of independence from Mr. Qian Feng, Mr. Zhong Pingsheng and Mr. Dai Xiangbo and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has a service contract with the Company for a term of three years and is subject to termination by either party giving not less than three months' written notice.

Each of the Independent Non-executive Directors has a service contract with the Company for a term of three years and is subject to termination by the Independent Non-executive Director giving not less than three months' written notice.

Under the service contracts, each of the Executive Directors is entitled to an annual discretionary management bonus as the Remuneration Committee of the Board may approve, provided that the aggregate amount of the discretionary management bonuses payable to all Executive Directors in respect of any financial year of the Group would not exceed 5% of the net profits of the Group after taxation and minority interests and less the aggregate amount of the discretionary management bonuses but before non-recurring items for the relevant financial year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected transactions" below and "Related party transactions" in note 33 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

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董事於競爭業務的權益

於截至二零零六年十二月三十一日止年度，本公司董事概無於與本公司或其任何附屬公司存有競爭之任何業務擁有任何權益。

董事及高級管理層履歷

本公司董事及本集團高級管理層履歷詳情載於第45頁至53頁。

董事及最高行政人員於本公司股份的權益及淡倉

於二零零六年十二月三十一日，根據證券及期貨條例（「證券及期貨條例」）第XV部第7及第8分部已知會本公司和香港聯合交易所有限公司（「聯交所」），並根據證券及期貨條例第352條而存置之登記冊所載；或根據聯交所證券上市規則（「上市規則」）內上市公司董事進行證券交易的標準守則（「標準守則」）已知會本公司和聯交所，有關本公司董事及最高行政人員擁有本公司及其相關法團（按證券及期貨條例第XV部之涵義）之股份、相關股份及債權證之權益及淡倉（包括根據證券及期貨條例之該等條文任何該等董事或最高行政人員擁有或被視作擁有之權益及淡倉）如下：

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2006, none of the Directors of the Company had any interest in any competing business with the Company or any of its subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors of the Company and senior management of the Group are set out on page 45 to 53.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 December, 2006, the interests and short positions of the Directors 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 ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

於本公司普通股中之好倉

Long positions in ordinary shares of the Company

名稱	附註	身份及權益類別	股份數目	佔本公司 已發行股本 百分比(%)
Name	Notes	Capacity and nature of interest	Number of shares	Percentage of the Issued Share Capital of the Company
馬建榮先生	1	公司權益	900,000,000	72.29
Mr. Ma Jianrong	1	Corporate interests	900,000,000	72.29
黃關林先生	2	公司權益	117,000,000	9.40
Mr. Huang Guanlin	2	Corporate interests	117,000,000	9.40

附註：

Notes:

- 於二零零六年十二月三十一日，該等股份由世通(香港)有限公司(「世通」)的一家全資附屬公司卓耀海外有限公司(「卓耀」)實益擁有。而世通則由馬建榮先生擁有74%權益、黃關林先生擁有13%權益及馬寶興先生(馬建榮先生之父親)擁有13%權益。由於馬建榮先生有權於世通股東大會上行使超過三分之一的投票權，根據證券及期貨條例，馬建榮先生被視為於卓耀持有的900,000,000股股份中擁有權益。
- 黃關林先生間接擁有卓耀13%的權益，而卓耀則擁有本公司72.29%的權益。

- As at 31 December 2006, these shares were beneficially owned by Excelbright Overseas Limited ("Excelbright") which is a wholly-owned subsidiary of Worldon (Hong Kong) Limited ("Worldon"), which is, in turn, owned as to 74% by Mr. Ma Jianrong, as to 13% by Mr. Huang Guanlin and as to 13% by Mr. Ma Baoxing (father of Mr. Ma Jianrong). As Mr. Ma Jianrong is entitled to exercise more than one-third of the voting power at the general meetings of Worldon, by virtue of the SFO, Mr. Ma Jianrong is deemed to be interested in the 900,000,000 shares held by Excelbright.
- Mr. Huang Guanlin is indirectly interested in a 13% interest in Excelbright, which owns a 72.29% interest in the Company.

除上述披露者外，於二零零六年十二月三十一日，根據證券及期貨條例第352條記錄於本公司存置之登記冊；或根據標準守則已知會本公司和聯交所，本公司各董事及最高行政人員概無擁有或被視作擁有本公司及其相關法團(按證券及期貨條例第XV部之涵義)之股份、相關股份及債權證之權益或淡倉。

Save as disclosed above, as at 31 December 2006, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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本公司或其任何控股公司、附屬公司或同系附屬公司於年內概無訂立任何安排，令本公司董事及最高行政人員（包括彼等之配偶或未滿十八歲之子女）可藉購入本公司或其相聯法團之股份或相關股份或債權證而獲益。

At no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

主要股東於本公司股份的權益及淡倉

於二零零六年十二月三十一日，下列人士（本公司董事除外）在本公司根據證券及期貨條例第336條所存置之股東名冊所紀錄佔本公司已發行股本5%或以上之權益如下：

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

At 31 December 2006, the following persons who held interests of 5% or more of the issued share capital of the Company, other than Directors of the Company, were recorded in the register of members required to be kept by the Company pursuant to Section 336 of the SFO:

於本公司普通股中之好倉

Long position in ordinary shares of the Company

名稱	附註	身份及權益類別	股份數目	佔本公司 已發行股本 百分比(%)
Name	Notes	Capacity and nature of interest	Number of shares	Percentage of the Issued Share Capital of the Company
卓耀	1	實益擁有人	900,000,000	72.29
Excelbright	1	Beneficial owner	900,000,000	72.29
世通	1及2	實益擁有人	900,000,000	72.29
Worldon	1 and 2	Beneficial owner	900,000,000	72.29

附註：

1. 卓耀為一家於二零零五年四月十二日在英屬處女群島註冊成立的公司，並持有本公司已發行股本的72.29%權益。於二零零六年十二月三十一日，世通持有卓耀全數已發行股本。
2. 於二零零六年十二月三十一日，世通已發行股本由馬建榮先生持有74%，馬寶興先生持有13%，黃關林先生則持有13%。馬建榮先生為馬寶興先生之子。黃關林先生為馬寶興先生的女婿兼馬建榮先生的妹夫。由於世通持有卓耀全數已發行股本而馬建榮先生控制世通股東大會超過三分之一投票權，根據證券及期貨條例，馬建榮先生被視為於卓耀持有的900,000,000股股份中擁有權益。

除上文所披露者外，於二零零六年十二月三十一日，除本公司董事（其權益載於上文「董事及最高行政人員於本公司股份的權益及淡倉」一節）外，概無其他人士於本公司股份及相關股份中擁有根據證券及期貨條例第336條須予記錄之權益或淡倉。

管理合約

本年度內，本公司並無就整體業務或任何重要業務的管理或行政工作簽訂或存在任何合約。

Notes:

1. Excelbright, a company incorporated in British Virgin Islands on 12 April 2005, held a 72.29% interest in the issued share capital of the Company. As at 31 December 2006, the entire issued share capital of Excelbright was held by Worldon.
2. As at 31 December 2006, the issued share capital of Worldon was held as to 74% by Mr. Ma Jianrong, as to 13 % by Mr. Ma Baoxing and as to 13% by Mr. Huang Guanlin. Mr. Ma Jianrong is the son of Mr. Ma Baoxing. Mr. Huang Guanlin is the son-in-law of Mr. Ma Baoxing and brother-in-law of Mr. Ma Jianrong. As the entire issued share capital of Excelbright is held by Worldon and Mr. Ma Jianrong controls more than one-third of the voting power at general meetings of Worldon, Mr. Ma Jianrong is deemed to be interested in the 900,000,000 shares held by Excelbright under the SFO.

Save as disclosed above, as at 31 December 2006, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors and Chief Executives' interests and short positions in the shares of the Company" above, had interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 existed during the year.

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主要供應商及客戶

本集團的主要供應商及客戶佔截至二零零六年十二月三十一日止年度的採購額及銷售額百分比如下：

		佔採購額之 百分比(%) Percentage of Purchases (%)	佔銷售額之 百分比(%) Percentage of sales (%)
最大供應商／客戶	The largest supplier/customer	8	53
五大供應商／客戶合計	Five largest suppliers/customers combined	36	79

於年內任何時間，概無董事、彼等之聯繫人士或任何股東（就董事所知擁有本公司5%以上股本）於該等主要供應商或客戶擁有任何權益。

關連交易

按照上市規則第14A章的披露規定，在財務報表附註33所披露的若干關聯方交易根據上市規則亦構成持續關連交易。若干關連人士（按上市規則定義）與本公司進行的下列交易經已訂立及／或持續進行，而本公司已在售股章程及公佈作出相關的披露。

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year ended 31 December 2006 attributable to the Group's major suppliers and customers are as follows:

		佔採購額之 百分比(%) Percentage of Purchases (%)	佔銷售額之 百分比(%) Percentage of sales (%)
The largest supplier/customer		8	53
Five largest suppliers/customers combined		36	79

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 at all times during the year.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 33 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant disclosure had been made by the Company in the Prospectus and announcements.

1. 關連交易

本公司全資附屬公司寧波申洲針織有限公司(「申洲針織」)與寧波天山世通紡織有限公司(「天山世通」)於二零零六年四月二十一日訂立土地使用權轉讓協議及工業大樓轉讓協議(統稱「轉讓協議」)，按總代價人民幣27,500,000元收購一土地使用權及工業大樓(統稱「該物業」)。該代價乃根據本公司委任的獨立估值師於二零零六年四月六日編製的估值報告，經訂約方公平磋商後釐定。該物業將由本集團用於服裝製造的裁剪縫紉工場。

天山世通由本公司控股股東世通全資擁有，故天山世通根據上市規則是本公司的關連人士。因此，收購該物業構成本公司的關連交易。由於轉讓協議的總代價低於上市規則第14.07條各百分比率(盈利比率除外)的2.5%，故該土地及該大樓的收購可獲豁免毋須遵守上市規則第14A.32(1)條的獨立股東批准規定。

1. Connected transactions

On 21 April 2006, Ningbo Shenzhou Knitting Co., Ltd. ("Shenzhou Knitting"), a wholly-owned subsidiary of the Company, entered into the Land Use Right Transfer Agreement and the Industrial Complex Transfer Agreement (collectively "Agreements") with Ningbo Tianshan Shitong Weaving Co., Ltd. ("Tianshan Shitong") to acquire the land use right and complex (collectively "Property") for an aggregate consideration of RMB27,500,000. The consideration has been determined after arm's length negotiation between both parties and is based on a valuation report dated 6 April 2006 prepared by an independent valuer appointed by the Company. The Property has been used by the Group as its workshops for cutting and sewing in the apparel manufacturing process.

Tianshan Shitong is wholly owned by Worlodon, which is the controlling shareholder of the Company and pursuant to the Listing Rules, Tianshan Shitong is a connected person of the Company. The acquisition of the Property therefore constitutes a connected transaction of the Company. As the aggregate consideration under the Agreements is less than 2.5% for each of the percentage ratios (except the profits ratio) under Rule 14.07 of the Listing Rules, the acquisitions of the Land and the Complex are exempted from independent shareholders' approval under Rule 14A.32(1) of the Listing Rules.

董事會報告

Report of the Directors

2. 持續關連交易

a. 租賃若干生產物業和設施

申洲針織於二零零五年十月九日與寧波申洲置業有限公司(「申洲置業」)簽訂一份租賃協議，據此，申洲置業將服裝生產物業租予申洲針織，租期由二零零五年六月一日至二零零七年十二月三十一日，申洲針織可行使續租權，按當時或低於當時市場租金額外續租三年(「租賃總協議」)。申洲針織可給予申洲置業不少於三個月的通知以終止租賃總協議。上述由申洲置業收取的租金，乃參照在中國寧波市日常業務過程中根據一般商業條款，從獨立第三方租賃類似物業及生產設施的市場租金予以釐定。申洲置業，由執行董事馬建榮先生及寧波榮榮實業投資有限公司(「榮榮實業」)(根據上市規則為聯繫人)分別擁有80%及20%權益，根據上市規則第14A.11(4)條屬關連人士。本年度內，本集團向申洲置業共支付租金人民幣8,468,000元。

2. Continuing connected transactions

a. Lease of certain production premises and facilities

Shenzhou Knitting and Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties"), entered into a lease agreement dated 9 October 2005, by which Shenzhou Properties leased to Shenzhou Knitting the apparel production properties for a period commencing from 1 June 2005 and expiring on 31 December 2007, with a right of renewal exercisable by Shenzhou Knitting for a further term of three years at or below the then market rate (the "Principal Lease Agreement"). The Principal Lease Agreement is terminable by Shenzhou Knitting by giving no less than three months' notice to Shenzhou Properties. The rental chargeable by Shenzhou Properties is determined by reference to market rates for leasing similar properties and production facilities from independent third parties under normal commercial terms in the ordinary course of the business in Ningbo, China. Shenzhou Properties, which is owned as to 80% by Mr. Ma Jianrong, an Executive Director, and as to 20% by Ningbo Rongrong Industrial Investment Co., Ltd. ("Rongrong Industrial"), an associate under the Listing Rules, is a connected person by virtue of Rule 14A.11(4) of the Listing Rules. During the year, the Group paid rentals to Shenzhou Properties amounting to RMB8,468,000.

b. 供應蒸汽

申洲針織於二零零五年十月九日與寧波明耀環保熱電有限公司（「明耀電力公司」）簽訂一份蒸汽供應協定，據此，明耀電力公司已同意自二零零五年十月九日至二零零七年十二月三十一日止向本集團供應蒸汽（「蒸汽供應協議」）。根據蒸汽供應協議，明耀電力公司已承諾在任何時間均為本集團維持充足穩定的蒸汽供應，並授予本集團優先權，以滿足本集團對蒸汽不時的需求。由於明耀電力公司並無自設與本集團連接的輸管系統，有關各方已同意明耀電力公司可先將其蒸汽售予在上海證券交易所上市的一家獨立A股公司（「A股公司」），然後再將蒸汽轉售予本集團。該A股公司向本集團收取的每噸蒸汽價格，將按明耀電力公司向該A股公司收取的價格收取。根據蒸汽供應協議，明耀電力公司所收取的每噸蒸汽價格，乃參考位於中國寧波經濟技術開發區內獨立蒸汽供應商供應蒸汽當其時的市價而釐定，惟在任何情況下明耀電力公司所收取的每噸蒸汽價格不得高於該開發區內當時的蒸汽市價。訂約方任何一方可通過向另一方發出30日書面通知以終止蒸汽供應協議。明耀電力公司，由世通及寧波明耀投資有限公司分別擁有48%及52%權益，寧波明耀投資有限公司與本公司或其任何附屬公司的董事、最高行政人員、主要股東或彼等各自的聯繫人概無連。根據上市規則第14A.11(4)條，明耀電力公司屬關連人士。本年度內，本集團向明耀電力公司共支付蒸汽費人民幣29,563,000元。

b. *Supply of steam*

Shenzhou Knitting and Ningbo Mingyao Environmental Thermal Power Co., Ltd., ("Mingyao Electric Company") entered into a steam supply agreement dated 9 October 2005, whereby Mingyao Electric Company agreed to supply steam to the Group for a period commencing from 9 October 2005 and expiring on 31 December 2007 (the "Steam Supply Agreement"). Under the Steam Supply Agreement, Mingyao Electric Company has undertaken to maintain a sufficient and stable supply of steam to the Group at all times and has granted priority to the Group for its demand for steam from time to time. As Mingyao Electric Company does not have its own piping system connected to the Group, the relevant parties have agreed that Mingyao Electric Company may first sell its steam to an independent A-share company listed on the Shanghai Stock Exchange (the "A-Share Company") which would then on-sell the steam to the Group. The steam price per ton to be charged by the A-Share Company to the Group will be at the price charged by Mingyao Electric Company to the A-Share Company. Pursuant to the Steam Supply Agreement, the steam price per ton charged by Mingyao Electric Company will be determined by reference to the prevailing market price of steam supplied by independent steam suppliers located in the Ningbo Economic and Technical Development Zone, China, but in any event, such steam price per ton to be charged by Mingyao Electric Company will not be higher than the prevailing market price of steam in that zone. Either party may terminate the Steam Supply Agreement by giving 30 days' written notice to the other party. Mingyao Electric Company is owned as to 48% by Worldon and as to 52% by Ningbo Mingyao Investment Co., Ltd., a party not connected with any of the Directors, the chief executive, the Substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates. Mingyao Electric Company is a connected person by virtue of Rule 14A.11(4) of the Listing Rules. During the year, the Group paid steam expenses to Mingyao Electric Company amounting to RMB29,563,000.

董事會報告

Report of the Directors

c. 提供毛毯裁剪及縫紉服務

申洲針織於二零零五年十月九日與寧波申洲大港針織有限公司（「申洲大港」）簽訂一份加工服務協議。據此，申洲大港已同意向本集團提供或促使其他公司自二零零五年十月九日至二零零七年十二月三十一日止期間內向本集團提供若干毛毯裁剪與縫紉服務，協議按不遜於獨立第三方所提供的一般商業條款訂立。申洲大港，由世通及榮榮實業分別擁有80%及20%權益，根據上市規則第14A.11(4)條屬關連人士。本年度內，本集團向申洲大港共支付毛毯裁剪與縫紉加工費人民幣539,000元。

d. 供應包裝物料

申洲針織於二零零五年十月九日與紹興縣華西包裝品有限公司（「華西包裝品公司」）簽訂一份供應協議（「包裝物料供應協議」），據此，華西包裝品公司已同意按不遜於獨立第三方提供的一般商業條款向本集團不時供應包裝物料。包裝物料供應協議期限乃自二零零五年十月九日開始，至二零零七年十二月三十一日止。華西包裝品公司，由執行董事黃關林先生之胞弟黃關泉先生及黃關林先生之父黃福昌先生分別擁有87.5%及12.5%權益。根據上市規則第14A.11(4)條，華西包裝品公司屬關連人士。本年度內，本集團向華西包裝品公司共支付包裝物料採購額為人民幣17,017,000元。

c. Provision of blanket cutting and sewing services

Shenzhou Knitting and Ningbo Shenzhou Dagang Knitwear Co., Ltd. ("Shenzhou Dagang"), entered into a processing services agreement dated 9 October 2005, whereby Shenzhou Dagang agreed to provide or procure other companies to provide certain blanket cutting and sewing services to the Group for a period commencing from 9 October 2005 and expiring on 31 December 2007 on normal commercial terms which are no less favourable than those available from independent third parties. Shenzhou Dagang, which is owned as to 80% by Worldon and as to 20% by Rongrong Industrial, is a connected person by virtue of Rule 14A.11(4) of the Listing Rules. During the year, the Group paid processing services fee to Shenzhou Dagang amounting to RMB539,000.

d. Supply of packaging materials

Shenzhou Knitting and Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company") entered into a supply agreement dated 9 October 2005 (the "Packaging Material Supply Agreement"), whereby Huaxi Packaging Company agreed to supply packaging materials to the Group from time to time on normal commercial terms which are no less favourable than those available from independent third parties. The Packaging Material Supply Agreement is for a term commencing from 9 October 2005 to 31 December 2007. Huaxi Packaging Company is owned as to 87.5% by Mr. Huang Guanquan, who is the brother of Mr. Huang Guanlin, an Executive Director, and as to 12.5% by Mr. Huang Fuchang, who is the father of Mr. Huang Guanlin. Huaxi Packaging Company is a connected person by virtue of Rule 14A.11(4) of the Listing Rule. During the year, the Group's purchases of packaging materials from Huaxi Packaging Company amounting to RMB17,017,000.

獨立非執行董事已審閱上述持續關連交易，並確認該等交易：(1)在本集團之一般及日常業務運作中進行；(2)按一般商業條款進行或對本公司而言，屬不遜於獨立第三方可獲得或提供之條款；及(3)乃按該等交易之有關協定之條款進行，而有關條款屬公平合理，並符合本公司股東之整體利益。

根據所執行之工作，本公司之核數師亦致函確認該等持續關連交易：(1)已獲得本公司董事會之批准；(2)已遵照本集團之訂價政策；(3)符合規管有關交易之協定；及(4)不超過有關聯交所允許之上限金額。

公眾持股量的足夠性

基於本公司可取閱之資料以及就董事所知，於本報告刊發日期，本公司已發行股本總數之最少25%由公眾人士持有。

核數師

本財務報表已經由羅兵咸永道會計師事務所審核。羅兵咸永道會計師事務所任滿告退，但合資格並表示願意應聘連任。

承董事會命

主席
馬建榮

中國寧波，二零零七年三月十六日

The aforesaid continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid connected transaction were entered into (1) in the ordinary and usual course of business of the Group; (2) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have provided a letter and confirmed that the aforesaid continuing connected transaction (1) have been approved by the board of directors of the Company; (2) are in accordance with the pricing policies of the Group; (3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and (4) have not exceeded the caps allowed by the Stock Exchange in the previous waiver.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ma Jianrong
Chairman

Ningbo, China, 16 March 2007