

Report of the Directors 董事會報告

The Directors of the Company submit their report together with the audited accounts of the Company for the year ended 31 December 2006.

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 yarn, 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 yarn, 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 58 of this annual report.

The Board has recommended a final dividend of HKD0.04 per share in respect of the financial year ended 31 December 2006 to shareholders whose names appeared on the register of members on 9 May 2007 at 11:59 p.m. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on 9 May 2007.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2006 are set out in note 14 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 2006 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 12 to the accompanying financial statements.

本公司董事提呈截至二零零六年十二月三十一日止年度之報告連同本公司經審核賬目。

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。

業績及分派

本集團之於截至二零零六年十二月三十一日止年度業績載列於本年報第58頁之綜合收益表。

董事會已建議派付截至二零零六年十二月三十一日止財政年度之末期股息每股0.04港元予於二零零七年五月九日下午十一時五十九分名列本公司股東名冊的股東。為符合資格獲取擬派末期股息，所有股份過戶文件，連同有關股票必須於二零零七年五月九日下午四時三十分前提交至本公司之股份過戶登記分處香港中央證券登記有限公司。

儲備

本集團截至二零零六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14。

物業、廠房及設備

本集團截至二零零六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12。

Report of the Directors 董事會報告

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2006 is set out in note 14 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 2 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

本公司於截至二零零六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14。

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2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。

Report of the Directors 董事會報告

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.

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。

Report of the Directors 董事會報告

SHARE OPTIONS (Continued)

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 Stock Exchange'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 Stock Exchange'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.

As at 31 December 2006, 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 Stock Exchange 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.

購股權 (續)

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。

於二零零六年十二月三十一日，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。

Report of the Directors 董事會報告

SHARE OPTIONS (Continued)

As at 31 December 2006, 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.

Details of the outstanding share options as at 31 December 2006 which have been granted under the Pre-IPO Share Option Scheme are as follows:

購股權 (續)

於二零零六年十二月三十一日，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%。

於二零零六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 行使價 HK\$ 港元	Exercisable period 行使期限 (Note) (附註)
		Outstanding at 1 January 2006 於二零零六年 一月一日 尚未行使	Outstanding at 31 December 2006 於二零零六年 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

Report of the Directors 董事會報告

SHARE OPTIONS (Continued)

購股權 (續)

	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	Outstanding at 31 December 2006 於二零零六年 十二月三十一日 尚未行使	Exercise price 行使價 HK\$ 港元	Exercisable period 行使期限 (Note) (附註)
		Outstanding at 1 January 2006 於二零零六年 一月一日 尚未行使	Outstanding at 31 December 2006 於二零零六年 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允價值為人民幣433,000元。該模型的主要參數為：於授出日股價每股0.69港元、上述行使價、預期股票回報標準差30%、預期購股權年期0.5年、預期股息回報率零及每年零風險利率2.88%。預期股價回報標準差的波幅乃按本集團首次公開發售後各年的每日股價統計分析計算。

Report of the Directors 董事會報告

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 108(A) of the Company's articles of association, Mr. Hong Tianzhu, Mr. Zhu Yongxiang and Mr. Ting Leung Huel, Stephen 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108(A)，洪天祝先生、朱永祥先生及丁良輝先生將輪值告退，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。

Report of the Directors 董事會報告

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, 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 21 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 21 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.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 21 to the accompanying financial statements.

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，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21。

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21。

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。

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21。

Report of the Directors 董事會報告

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 28 to 31 of this annual report.

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28至第31頁。

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 2006, 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 Stock Exchange 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:

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

於二零零六年十二月三十一日，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：

Name of directors of the Company 本公司董事姓名	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 held 持有股份數目	
			Number of ordinary shares (Note 1) 普通股份數目 (附註1)	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	551,500,000 (L) (Note 2) (附註2)	63.25%
	the Company 本公司	Beneficial owner 實益擁有人	4,400,000 (L)	0.50%
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) (Note 3) (附註3)	28.50%

Report of the Directors 董事會報告

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

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Among these 551,500,000 Shares, as to 388,000,000 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.
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.

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)

附註:

1. 「L」代表該人士於股份之好倉。
2. 該551,500,000股股份中388,000,000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. 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。

Report of the Directors 董事會報告

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 2006, 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，於二零零六年十二月三十一日，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	Nature of interests 權益性質	Number of Shares held 持有股份數目		Percentage 百分比
			Number of ordinary shares (Note 1) 普通股數目 (附註1)	
New Green Group Limited	Beneficial owner 實益擁有人		388,000,000 (L) (Note 2) (附註2)	44.5%
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		388,000,000 (L) (Note 2) (附註2)	44.5%
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 Zhiyang 趙志揚女士	Interest of spouse 配偶權益		248,520,000 (L) (Note 6) (附註6)	28.50%
Mr. Cheah Cheng Hye 謝清海先生	Interest of controlled corporation(s) 所控制法人的權益		52,538,000 (L) (Note 7) (附註7)	6.02%
Value Partners Limited	Investment manager 投資經理		52,538,000 (L) (Note 7) (附註7)	6.02%
Consolidated Press Holdings Limited	Beneficial owner 實益擁有人		43,624,000 (L)	5%

Report of the Directors 董事會報告

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

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)

Notes:

附註:

1. The letter "L" denotes the person's long position in the Shares.
 2. These 388,000,000 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.
 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 Zhiyang is the spouse of Mr. Zhu Yongxiang. Under the SFO, Ms. Zhao Zhiyang is taken to be interested in the same number of Shares in which Mr. Zhu Yongxiang are interested.
 7. Based on the disclosure of interest forms filed by Mr. Cheah Cheng Hye and Value Partners Limited on 29 September 2006, these 52,538,000 Shares are registered in the name of Value Partners Limited, which is controlled by Mr. Cheah Cheng Hye. Under the SFO, Mr. Cheah Cheng Hye is deemed to be interested in all the Shares held by Value Partners Limited.
1. 「L」代表該人士於股份之好倉。
 2. 該388,000,000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。
 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。
 7. 根據謝清海先生及Value Partners Limited於二零零六年九月二十九日提交之權益披露報告表, 該52,538,000股股份乃以Value Partners Limited之名義登記, 該公司由謝清海先生控制。根據證券及期貨條例, 謝清海先生被視為於Value Partners Limited所持所有股份佔有權益。

Report of the Directors 董事會報告

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 2006 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.

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	13%
– five largest suppliers combined	34%
Sales	
– the largest customer	4%
– five largest customers combined	15%

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.

購買股份或債權證之安排

除上述「購股權」一節披露者外，截至二零零六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。

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	13%
– 五大供應商合計	34%
銷售	
– 最大客戶	4%
– 五大客戶合計	15%

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。

Report of the Directors 董事會報告

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.

(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.

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。

(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。

Report of the Directors 董事會報告

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

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 0.02% 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 1.5% and 0.8% respectively.

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.

董事於競爭業務之權益 (續)

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0.02%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1.5%及0.8%。

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。

Report of the Directors 董事會報告

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

The non-compete undertaking has taken effect from the Listing Date 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.

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 RMB499,000, it did not exceed the annual monetary cap of RMB30.5 million for year 2006.

董事於競爭業務之權益 (續)

不競爭承諾已由上市日期起生效，並於下述最早發生者時期滿：(i)洪天祝先生與其聯營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。

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。本集團於二零零六年度予天虹印染之坯布總銷售額約達人民幣499,000元，並不超出人民幣30,500,000元年度金額上限。

Report of the Directors 董事會報告

CONNECTED TRANSACTIONS (Continued)

(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 form 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 RMB2,973,000, it did not exceed the annual monetary cap of RMB31.3 million for year 2006.

(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.

關連交易 (續)

(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。本集團於二零零六年度向天虹印染採購之面料總額約達人民幣2,973,000元,並不超出人民幣31,300,000元年度金額上限。

(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。

Report of the Directors 董事會報告

CONNECTED TRANSACTIONS (Continued)

關連交易 (續)

(c) Sales of Group's grey fabrics to Nantong Textile (Continued)

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 RMB140,000, it did not exceed the annual monetary caps of RMB5.5 million for the year 2006.

(c) 向南通紡織銷售本集團坯布 (續)

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。本集團於二零零六年度予南通紡織之坯布總銷售額約達人民幣140,000元，並不超出人民幣5,500,000元年度金額上限。

(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.

(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。

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 RMB1,564,000, it has not exceed the annual monetary cap of RMB1.6 million for year 2006.

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1,564,000元，並不超出二零零六年的年度金額上限人民幣1,600,000元。

Report of the Directors 董事會報告

CONNECTED TRANSACTIONS (Continued)

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, all the other related party transactions fall under the scope of "continuing connected transaction", in Chapter 14A of the Listing Rules.

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 ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry on all the directors of the Company, and all its directors confirmed that they have complied with the Securities Code and the Model Code during the year under review.

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 at any time during the financial year ended 31 December 2006.

關連交易 (續)

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，或如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，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。

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「標準守則」的證券守則。經本公司特別向全體董事作出查詢後，其全體董事確認，彼等均已於回顧年度內遵守證券守則及標準守則。

公眾持股量

根據於本年報刊發日期本公司獲得之公開資料及據董事所知，本公司於截至二零零六年十二月三十一日止財政年度任何時間已發行股份之指定公眾持股量符合上市規則。

Report of the Directors 董事會報告

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 rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The audit committee had reviewed the audited results of the Group for the financial year ended 31 December 2006.

REMUNERATION COMMITTEE

The remuneration committee of the Directors comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi and the chairman and executive Director Mr. Hong Tianzhu. Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

LITIGATION

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.

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, 18 April 2007

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。審核委員會的職權及職責範圍符合《守則條文》。審核委員會負責審閱及監督本集團之財務匯報程序及內部監控制度，並向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二零零六年十二月三十一日止財政年度之經審核業績。

薪酬委員會

董事薪酬委員會由三名獨立非執行董事丁良輝先生、朱蘭芬女士、程隆棣先生及主席兼執行董事洪天祝組成。丁良輝先生為薪酬委員會主席。薪酬委員會之職權及職責範圍與《守則條文》一致。薪酬委員會主要負責擬訂董事及高級管理層所有酬金政策及結構，並向董事會提供意見及推薦建議。

訴訟

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。

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

洪天祝
主席

香港，二零零七年四月十八日