



天虹紡織集團有限公司
TEXHONG TEXTILE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 2678

Interim Report 2007

二零零七年中期報告



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Corporate Information 公司資料

EXECUTIVE DIRECTORS

Mr. Hong Tianzhu (Chairman)
Mr. Zhu Yongxiang
Mr. Tang Daoping
Mr. Gong Zhao

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Ting Leung Huel, Stephen
MH FCCA FCPA (Practising) ACA FTIHK FHKIoD
Ms. Zhu Lanfen
Professor Cheng Longdi

REMUNERATION COMMITTEE

Mr. Ting Leung Huel, Stephen
MH FCCA FCPA (Practising) ACA FTIHK FHKIoD
Mr. Hong Tianzhu
Ms. Zhu Lanfen
Professor Cheng Longdi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Shu Wa Tung, Laurence

AUTHORISED REPRESENTATIVES

Mr. Hong Tianzhu
Mr. Shu Wa Tung, Laurence

HEAD OFFICE

Room 1818, 18/F
Metroplaza Tower 1
223 Hing Fong Road
Kwai Fong, N.T.
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

執行董事

洪天祝先生 (主席)
朱永祥先生
湯道平先生
龔照先生

獨立非執行董事 及審核委員會

丁良輝先生
MH FCCA FCPA (Practising) ACA FTIHK FHKIoD
朱蘭芬女士
程隆棣教授

薪酬委員會

丁良輝先生
MH FCCA FCPA (Practising) ACA FTIHK FHKIoD
洪天祝先生
朱蘭芬女士
程隆棣教授

公司秘書及 合資格會計師

舒華東先生

授權代表

洪天祝先生
舒華東先生

總辦事處

香港新界
葵芳興芳路223號
新都會廣場第一座
18樓1818室

註冊辦事處

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Information 公司資料

PRINCIPAL BANKERS

ABN AMRO Bank (China) Co., Ltd Shanghai Branch
(formerly known as ABN AMRO Bank N.V.,
Shanghai Branch)

Citibank (China) Co., Ltd. Shanghai Branch
Industrial and Commercial Bank of China
China Construction Bank
Bank of Communications

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR AND MEDIA RELATIONS

iPR Ogilvy Ltd.

WEBSITE

www.texhong.com

STOCK CODE

2678

主要往來銀行

荷蘭銀行(中國)有限公司上海分行
(前稱為荷蘭銀行有限公司上海分行)

花旗銀行(中國)有限公司上海分行
中國工商銀行
中國建設銀行
中國交通銀行

核數師

羅兵咸永道會計師事務所

法律顧問(香港法律)

趙不渝•馬國強律師事務所

主要股份過戶登記處

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands

香港股份過戶 登記處

香港中央證券登記有限公司
香港
灣仔
皇后大道東183號
合和中心17樓
1712-1716舖

投資者及傳媒關係

iPR Ogilvy Ltd.

互聯網址

www.texhong.com

股份代號

2678

Condensed Consolidated Balance Sheet

簡明綜合資產負債表

			Unaudited As at 30 June 2007 未經審核 於二零零七年 六月三十日 RMB'000 人民幣千元	Audited As at 31 December 2006 經審核 於二零零六年 十二月三十一日 RMB'000 人民幣千元
		Note 附註		
ASSETS	資產			
Non-current assets	非流動資產			
Land use rights	土地使用權	3	77,053	70,519
Property, plant and equipment	物業、廠房及設備	4	1,028,002	824,057
Goodwill	商譽		888	888
Deferred income tax assets	遞延所得稅資產		3,138	3,879
			1,109,081	899,343
Current assets	流動資產			
Inventories	存貨		523,271	450,722
Trade and bills receivables	應收貿易及票據款項	5	270,531	227,452
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	6	71,589	98,099
Pledged bank deposits	已抵押銀行存款		13,542	14,397
Cash and cash equivalents	現金及現金等值物		83,698	139,887
			962,631	930,557
Current liabilities	流動負債			
Trade and bills payables	應付貿易及票據款項	7	253,262	270,549
Accruals and other payables	預提費用及其他應付賬款	8	201,895	171,786
Dividend payable	應付股息		34,256	-
Current income tax liabilities	當期所得稅負債		1,250	1,704
Borrowings	借貸	9	342,539	308,538
			833,202	752,577
Net current assets	流動資產淨值		129,429	177,980
Total assets less current liabilities	總資產減流動負債		1,238,510	1,077,323

Condensed Consolidated Balance Sheet 簡明綜合資產負債表

			Unaudited As at 30 June 2007 未經審核 於二零零七年 六月三十日 RMB'000 人民幣千元	Audited As at 31 December 2006 經審核 於二零零六年 十二月三十一日 RMB'000 人民幣千元
		Note 附註		
Non-current liabilities	非流動負債			
Borrowings	借貸	9	320,243	204,458
Deferred income tax liabilities	遞延所得稅負債		10,952	11,216
			331,195	215,674
Net assets	資產淨值		907,315	861,649
EQUITY	股東權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備			
Share capital	股本	10	92,842	92,842
Reserves	儲備		814,473	768,807
Total equity	股東權益總額		907,315	861,649

Condensed Consolidated Income Statement

簡明綜合損益表

		Unaudited 未經審核	
		Six months ended 30 June 截至六月三十日止六個月	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
		Note 附註	
Sales	營業額	12	1,198,004
Cost of sales	銷售成本	13	(988,871)
Gross profit	毛利		209,133
Selling and distribution costs	銷售及分銷開支	13	(32,392)
General and administrative expenses	一般及行政開支	13	(51,482)
Other gains – net	其他收益－淨額	12	22,565
Operating profit	經營溢利		147,824
Finance income	財務收入		1,160
Finance costs	財務費用		(17,109)
Finance costs – net	財務費用－淨額	14	(15,949)
Profit before income tax	除所得稅前溢利		131,875
Income tax expense	所得稅開支	15	(20,237)
Profit for the period attributable to equity holders of the Company	本公司股權持有人應佔期內溢利		111,638
Earnings per share for profit attributable to the Company's equity holders during the period (expressed in RMB per share)	本公司股權持有人應佔期內溢利之每股盈利 (以每股人民幣表示)		
– Basic	– 基本	16	0.128
– Diluted	– 攤薄	16	0.128
Dividends	股息	17	26,929

Condensed Consolidated Statement of Changes in Equity

簡明綜合權益變動表

		Unaudited 未經審核			
		Share capital	Other reserves	Retained earnings	Total
		股本	其他儲備	保留溢利	總計
Note		RMB'000	RMB'000	RMB'000	RMB'000
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2007	於二零零七年 一月一日的結餘	92,842	446,991	321,816	861,649
Profit for the period	期間溢利	–	–	79,922	79,922
Dividends	股息	–	–	(34,256)	(34,256)
Transfer from revaluation reserve to retained earnings	由重估儲備轉撥 至保留溢利				
– gross	– 總額	–	(1,093)	1,093	–
– deferred income tax	– 遞延所得稅	–	264	(264)	–
Balance at 30 June 2007	於二零零七年 六月三十日的結餘	92,842	446,162	368,311	907,315
Balance at 1 January 2006	於二零零六年 一月一日的結餘	92,842	427,509	235,963	756,314
Profit for the period	期間溢利	–	–	111,638	111,638
Dividends	股息	–	–	(58,278)	(58,278)
Transfer from revaluation reserve to retained earnings	由重估儲備轉撥 至保留溢利				
– gross	– 總額	–	(1,203)	1,203	–
– deferred income tax	– 遞延所得稅	–	264	(264)	–
Balance at 30 June 2006	於二零零六年 六月三十日的結餘	92,842	426,570	290,262	809,674

Condensed Consolidated Cash Flow Statement

簡明綜合現金流量表

		Unaudited 未經審核	
		Six months ended 30 June 截至六月三十日止六個月	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Cash flows from operating activities	來自經營活動的現金流量	14,760	89,445
Cash flows from investing activities	來自投資活動的現金流量		
– purchases of property, plant and equipment	– 購買物業、廠房及設備	(223,465)	(69,579)
– purchases of land use rights	– 購買土地使用權	(7,025)	–
– proceeds from disposal of property, plant and equipment	– 出售物業、廠房及設備所得款項	2,115	662
Net cash used in investing activities	投資活動所耗現金淨額	(228,375)	(68,917)
Cash flows from financing activities	來自融資活動的現金流量		
– proceeds from borrowings	– 借貸所得款	427,036	434,457
– repayments of borrowings	– 償還借貸	(270,465)	(234,009)
– decrease/(increase) in pledged bank deposits	– 已抵押銀行存款減少/(增加)	855	(154,223)
– dividends paid to the Company's equity holders	– 支付股息予本公司股權持有人	–	(58,278)
Net cash generated from/(used in) financing activities	融資活動所得/(所耗)現金淨額	157,426	(12,053)
Net (decrease)/increase in cash and cash equivalents	現金及現金等值物(減少)/增加淨額	(56,189)	8,475
Cash and cash equivalents at 1 January	於一月一日之現金及現金等值物	139,887	259,972
Cash and cash equivalents at 30 June	於六月三十日之現金及現金等值物	83,698	268,447

Notes to the Condensed Consolidated Financial Information

簡明綜合財務資料附註

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2004 ("Listing Date").

The condensed consolidated interim financial information was approved for issue by the board ("Board") of directors of the Company ("Directors") on 27 August 2007.

The condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 December 2006.

1. 一般資料及編製基準

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

本公司乃於二零零四年七月十二日在開曼群島根據開曼群島公司法註冊成立為一家獲豁免有限公司。自從二零零四年十二月九日（「上市日期」）起，本公司股份（「股份」）已經在香港聯合交易所有限公司（「聯交所」）主板上市。

簡明綜合中期財務資料於二零零七年八月二十七日經本公司董事會（「董事會」）批准刊發。

截至二零零七年六月三十日止六個月之簡明綜合中期財務資料，乃按由香港會計師公會頒佈的香港會計準則第34號「中期財務報告」編製。務請與截至二零零六年十二月三十一日止年度之年度財務報表一併閱讀簡明綜合中期財務資料。

2. 會計政策

所採納會計政策與截至二零零六年十二月三十一日止年度之年度財務報表一致。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

3. LAND USE RIGHTS

3. 土地使用權

RMB'000
人民幣千元

**Six months ended
30 June 2007**

截至二零零七年
六月三十日止六個月

Opening net book amount
as at 1 January 2007
Additions
Amortisation

於二零零七年一月一日
之期初賬面淨值 70,519
添置 7,025
攤銷 (491)

**Closing net book amount
as at 30 June 2007**

於二零零七年
六月三十日之
期末賬面淨值 77,053

**Six months ended
30 June 2006**

截至二零零六年
六月三十日止六個月

Opening net book amount
as at 1 January 2006
Amortisation

於二零零六年一月一日
之期初賬面淨值 56,098
攤銷 (604)

**Closing net book amount
as at 30 June 2006**

於二零零六年
六月三十日之
期末賬面淨值 55,494

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

4. PROPERTY, PLANT AND EQUIPMENT

4. 物業、廠房及設備

		<i>RMB'000</i>
		人民幣千元
Six months ended 30 June 2007	截至二零零七年 六月三十日止六個月	
Opening net book amount as at 1 January 2007	於二零零七年一月一日 之期初賬面淨值	824,057
Additions	添置	241,680
Disposals	出售	(2,402)
Depreciation	折舊	<u>(35,333)</u>
Closing net book amount as at 30 June 2007	於二零零七年 六月三十日之 期末賬面淨值	<u>1,028,002</u>
Six months ended 30 June 2006	截至二零零六年 六月三十日止六個月	
Opening net book amount as at 1 January 2006	於二零零六年一月一日 之期初賬面淨值	598,315
Additions	添置	62,200
Disposals	出售	(648)
Depreciation	折舊	<u>(25,075)</u>
Closing net book amount as at 30 June 2006	於二零零六年 六月三十日之 期末賬面淨值	<u>634,792</u>

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

5. TRADE AND BILLS RECEIVABLES

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Trade receivables	應收貿易款項	116,191	118,951
Bills receivable	應收票據款項	158,116	112,402
		274,307	231,353
Less: Provision for impairment of receivables	減: 應收款項 減值撥備	(3,776)	(3,901)
		270,531	227,452

The fair value of trade and bills receivables approximates their carrying amount.

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

5. 應收貿易及票據款項

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Trade receivables	應收貿易款項	116,191	118,951
Bills receivable	應收票據款項	158,116	112,402
		274,307	231,353
Less: Provision for impairment of receivables	減: 應收款項 減值撥備	(3,776)	(3,901)
		270,531	227,452

應收貿易及票據款項的公平值與其賬面值相若。

本集團授予其客戶的信貸期一般為90日內。應收貿易及票據款項的賬齡分析如下:

0 to 30 days	0日至30日	203,319	176,974
31 to 90 days	31日至90日	51,783	31,126
91 to 180 days	91日至180日	7,327	15,076
181 days to 1 year	181日至1年	4,698	2,616
Over 1 year	1年以上	7,180	5,561
		274,307	231,353

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
0 to 30 days	0日至30日	203,319	176,974
31 to 90 days	31日至90日	51,783	31,126
91 to 180 days	91日至180日	7,327	15,076
181 days to 1 year	181日至1年	4,698	2,616
Over 1 year	1年以上	7,180	5,561
		274,307	231,353

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

6. 預付款項、按金及其他應收賬款

		30 June	31 December
		2007	2006
		二零零七年	二零零六年
		六月三十日	十二月三十一日
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Deposits for purchases of raw materials	購買原材料之按金	46,744	75,779
Staff advances	員工墊款	2,002	1,564
Other receivables	其他應收賬款	7,376	7,462
Value-added tax recoverable	應退之增值稅	5,509	1,952
Prepayments	預付款項	3,788	4,077
Deposits	按金	6,170	7,265
		71,589	98,099

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

7. TRADE AND BILLS PAYABLES

7. 應付貿易及票據款項

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Trade payables	應付貿易款項	138,262	187,899
Bills payable	應付票據款項	115,000	82,650
		253,262	270,549

The ageing analysis of the trade and bills payables was as follows:

應付貿易及票據款項的賬齡分析如下:

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
0 to 90 days	0日至90日	130,993	237,460
91 to 180 days	91日至180日	118,356	28,275
181 days to 1 year	181日至1年	2,701	3,076
Over 1 year	1年以上	1,212	1,738
		253,262	270,549

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

8. ACCRUALS AND OTHER PAYABLES

8. 預提費用及其他應付賬款

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Accrued wages and salaries	應計工資及薪酬	16,838	18,991
Other accrual of expenses	其他應計開支	9,376	10,307
Deposits from customers	客戶按金	15,656	12,841
Other deposits	其他按金	9,281	8,034
Tax payables other than enterprise income tax	應付稅項(企業 所得稅除外)	947	6,383
Other payables	其他應付賬款	32,118	32,044
Payable to former principal shareholder of a subsidiary resulting from an acquisition	因收購而應付 一家附屬公司 之前主要股東 支付之款項	67,578	67,578
Payables for purchase of property, plant and equipment	購買物業、廠房 及設備 應付賬款	33,823	15,608
Deferred government grants	遞延政府補助	16,278	—
		201,895	171,786

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

9. BORROWINGS

9. 借貸

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Current	即期		
– unsecured bank borrowings (Note (c))	– 無抵押銀行 借貸 (附註(c))	6,854	13,507
– secured bank borrowings (Note (a))	– 有抵押銀行 借貸 (附註(a))	80,300	61,500
– other bank borrowings (Note (b))	– 其他銀行 借貸 (附註(b))	255,385	233,531
		342,539	308,538
Non-current	非即期		
– unsecured bank borrowings (Note (c))	– 無抵押銀行 借貸 (附註(c))	61,686	64,428
– other bank borrowings (Note (b))	– 其他銀行 借貸 (附註(b))	258,557	140,030
		320,243	204,458
Total borrowings	借貸總額	662,782	512,996

As at 30 June 2007, bank borrowings bore interest at rates ranging from 3.0% to 8.0% per annum (2006: 3.0% to 8.0%).

於二零零七年六月三十日，銀行借貸的年利率介乎3.0%至8.0%（二零零六年：3.0%至8.0%）。

(a) Secured bank borrowings of approximately RMB80,300,000 as at 30 June 2007 (31 December 2006: RMB61,500,000) were secured by pledge of the Group's inventories, land use rights and buildings and machinery and equipment with an aggregated net book amount of approximately RMB127,473,000 as at 30 June 2007 (31 December 2006: RMB110,266,000).

(a) 於二零零七年六月三十日約人民幣80,300,000元（二零零六年十二月三十一日：人民幣61,500,000元）的有抵押銀行借貸以本集團的存貨、土地使用權、樓宇、機器及設備作抵押，於二零零七年六月三十日有關資產的賬面淨值總額約為人民幣127,473,000元（二零零六年十二月三十一日：人民幣110,266,000元）。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

9. BORROWINGS (Continued)

- (b) Other bank borrowings were secured by cross corporate guarantees provided by subsidiaries totaling of approximately RMB513,942,000 as at 30 June 2007 (31 December 2006: RMB373,561,000).
- (c) In addition, Mr. Hong Tianzhu, Chairman and executive Director of the Company, has undertaken to maintain at least 30% equity interest in the Company unless otherwise agreed by the relevant bank in respect of the provision of the unsecured current and non-current bank borrowings.

9. 借貸 (續)

- (b) 其他銀行借貸以附屬公司於二零零七年六月三十日提供總數約人民幣513,942,000元的交叉擔保作抵押。(二零零六年十二月三十一日：人民幣373,561,000元)。
- (c) 此外，本公司主席兼執行董事洪天祝先生已承諾，除非得提供無抵押即期及非即期銀行借貸的有關銀行同意，否則最少維持持有本公司股本權益30%。

10. SHARE CAPITAL

10. 股本

Ordinary shares of
HK\$0.1 each
每股面值0.1港元的普通股
Number
of shares
股份數目

'000
千股

HK\$'000
千港元

<i>Authorised:</i>	法定：
At 31 December 2006 and 30 June 2007	於二零零六年 十二月三十一日 及二零零七年 六月三十日
<i>Issued and fully paid:</i>	已發行及繳足：
At 31 December 2006 and 30 June 2007	於二零零六年 十二月三十一日 及二零零七年 六月三十日

4,000,000

400,000

872,000

87,200

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

11. SHARE OPTIONS

(i) Pre-IPO Share Option Scheme

On 21 November 2004, the Company granted 4,342,000 options to certain senior management of the Group under a Pre-IPO Share Option Scheme to subscribe for shares in the Company at HK\$0.69 per share, exercisable over the period from 9 June 2005 to 8 June 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All options remained outstanding as at 30 June 2007.

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 Company's initial public offering.

11. 購股權

(i) 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，本公司根據首次公開發售前購股權計劃向若干本集團高級管理層授出4,342,000份購股權，以按每股0.69港元之價格認購本公司之股份，此等購股權可於二零零五年六月九日至二零零八年六月八日期間行使。本集團並無法律或實際責任以現金購回或清償購股權。所有購股權於二零零七年六月三十日尚未行使。

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

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

11. SHARE OPTIONS (Continued)

(ii) Post-IPO Share Option Scheme

Pursuant to a shareholders' resolution passed on 21 November 2004, the Company adopted a share option scheme (the "Share Option Scheme"), which will remain in force for a period of 10 years up to November 2014. Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any employee, director, supplier of goods or services, customer, person or entity that provides research, development or other technological support to the Group, shareholder and adviser or consultant of the Group to subscribe for shares in the Company at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date of the offer of grant; or (ii) the average closing price of shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; or (iii) the nominal value of a share. A nominal consideration of HK\$1 (equivalent of RMB1.04) is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group from time to time must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. At 30 June 2007, no options had been granted under the Share Option Scheme (31 December 2006: Nil).

11. 購股權 (續)

(ii) 首次公開發售後購股權計劃

根據本公司二零零四年十一月二十一日之股東決議案，本公司已批准採納一項購股權計劃（「購股權計劃」），於截至二零一四年十一月止十年期間將仍屬有效。根據購股權計劃，本公司董事可全權酌情向任何僱員、董事、貨品或服務供應商、客戶、為本集團提供研究、發展或其他技術支援的個人或實體、股東及本集團顧問或諮詢人授出購股權，以認購本公司股份，惟價格不低於下列較高者：(i) 於授出要約日期在聯交所每日報價表所列出的股份收市價；或(ii) 於緊接授出要約日期前五個交易日的聯交所每日報價表所列出的股份平均收市價；或(iii) 股份的面值。1港元的名義代價（相當人民幣1.04元）於接納授出購股權要約時支付。在購股權計劃及本集團不時採納的任何其他購股權計劃以下所有授出有待行使購股權獲行使時最高可予發行的股份數目合計不得超過本公司不時發行股本的30%。於二零零七年六月三十日，概無購股權根據購股權計劃授出（二零零六年十二月三十一日：零）。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

12. REVENUE AND SEGMENT INFORMATION

(i) Sales and other gains – net

		Six months ended 30 June 截至六月三十日止六個月	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Sales	營業額		
Sales of goods (net of value-added tax)	貨品銷售 (不包括 增值稅)	1,440,209	1,198,004
Other gains – net	其他收益 – 淨額		
Subsidy income	補貼收入	11,944	22,802
Net foreign exchange losses	匯兌虧損淨額	(4,369)	(237)
Others	其他	1,505	–
		9,080	22,565
Total revenue	收益總額	1,449,289	1,220,569

(ii) Segment information

No business and geographical segment analysis for the six months ended 30 June 2007 have been prepared as the Group operated in one business segment – manufacture and sale of yarn, grey fabrics and dyed fabrics and substantially all of the Group's sales, segment results, assets and liabilities were located in Mainland China.

12. 收益及分類資料

(i) 營業額及其他收益 – 淨額

(ii) 分類資料

本集團所經營為單一業務分類 – 製造及銷售紗線、坯布及染色布料。本集團基本上所有營業額、分類業績、資產及負債均設置於中國大陸。因此，截至二零零七年六月三十日止六個月並無呈列業務及地區分類資料分析。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

13. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses are analysed as follows:

Cost of inventories	存貨開支
Employment costs	僱員成本
Depreciation and amortisation	折舊及攤銷
Transportation	運輸
Utilities	動力及燃料
Auditor's remuneration	核數師酬金

13. 開支(按性質分類)

開支包括銷售成本、銷售及分銷開支以及一般及行政開支的分析如下:

Six months ended 30 June
截至六月三十日止六個月

2007	2006
二零零七年	二零零六年
RMB'000	RMB'000
人民幣千元	人民幣千元

		1,035,247	830,299
		130,940	100,518
		35,824	25,679
		20,232	17,031
		85,774	64,992
		1,500	1,500

14. FINANCE COSTS – NET

14. 財務費用－淨額

Six months ended 30 June
截至六月三十日止六個月

2007	2006
二零零七年	二零零六年
RMB'000	RMB'000
人民幣千元	人民幣千元

Interest on bank loans wholly repayable within five years	須於五年內悉數償還的銀行貸款利息	23,061	14,771
Other incidental borrowing costs	其他借貸成本	–	3,368
Less: amount capitalised in property, plant and equipment	減:物業、廠房及設備資本化金額	–	(1,030)
Exchange gain	匯兌收益	(9,708)	–
Finance costs	財務支出	13,353	17,109
Finance income – Interest income on short-term bank deposits	財務收入－短期銀行存款利息收入	(660)	(1,160)
Net finance costs	財務費用淨額	12,693	15,949

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

15. INCOME TAX EXPENSE

Mainland China enterprise income tax ("EIT")	中國大陸企業所得稅
Deferred income tax	遞延所得稅

15. 所得稅開支

Six months ended 30 June
截至六月三十日止六個月

2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
14,428	19,205
477	1,032
14,905	20,237

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2007 (For the six months ended 30 June 2006: Nil).

(i) 香港利得稅

由於本集團於截至二零零七年六月三十日止六個月並無在香港產生任何應課稅溢利，故並無就香港利得稅作出撥備（截至二零零六年六月三十日止六個月：零）。

(ii) Mainland China enterprise income tax

The subsidiaries established in Mainland China are subject to EIT at rates ranging from 15% to 33% during the period.

(ii) 中國大陸企業所得稅

於中國大陸成立的附屬公司須於期內按企業所得稅率15%至33%繳納企業所得稅。

Except for Texhong (China) Investment Co., Ltd., all other subsidiaries of the Company established in Mainland China, being wholly foreign owned enterprises, have obtained approvals from the relevant Mainland China Tax Bureau for their entitlement of exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

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

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

15. INCOME TAX EXPENSE (Continued)

(ii) Mainland China enterprise income tax (Continued)

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

(iii) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from payment of the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the then International Business Companies Acts of the British Virgin Islands and accordingly, are exempted from payment of British Virgin Islands income tax. The Company's subsidiaries established in Macao and Vietnam are loss-making for the period ended 30 June 2007 and they were not subject to Macao and Vietnam income tax during the six months ended 30 June 2007.

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of RMB79,922,000 (2006: RMB111,638,000).

The basic earnings per share is based on the weighted average number of 872,000,000 (2006: 872,000,000) ordinary shares in issue during the period.

15. 所得稅開支(續)

(ii) 中國大陸企業所得稅(續)

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

(iii) 海外所得稅

本公司根據開曼群島公司法於開曼群島註冊成立為獲豁免有限公司，因此獲豁免繳納開曼群島所得稅。本公司於英屬處女群島成立的附屬公司按英屬處女群島當時國際商業公司法註冊成立，因此獲豁免繳納英屬處女群島所得稅。本公司於澳門及越南成立的附屬公司於截至二零零七年六月三十日止期內錄得虧損，因此於截至二零零七年六月三十日止六個月毋須繳納澳門及越南所得稅。

16. 每股盈利

每股基本及攤薄盈利乃根據本公司股權持有人應佔溢利人民幣79,922,000元(二零零六年:人民幣111,638,000元)計算。

每股基本盈利乃按期內已發行普通股加權平均數872,000,000股(二零零六年:872,000,000股)計算。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

16. EARNINGS PER SHARE (Continued)

The diluted earnings per share is calculated by adjusting the weighted average number of 872,000,000 (2006: 872,000,000) ordinary shares in issue by 2,295,000 (2006: 1,737,000) assuming conversion of all share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options in full.

17. DIVIDENDS

The directors do not recommend the payment of interim dividends for the six months ended 30 June 2007 (For the six months ended 30 June 2006: HK\$0.03 per ordinary share, totaling RMB26,929,000).

18. CONTINGENCIES

Government grants obtained from the Management Committee of Taizhou Economic Development Zone 來自泰州經濟開發區管理委員會的政府補助

16. 每股盈利 (續)

每股攤薄盈利的計算乃假設已全面兌換購股權而就已發行普通股加權平均數872,000,000股(二零零六年: 872,000,000股)作出2,295,000股(二零零六年: 1,737,000股)的調整。須根據未行使認股權所附認股權的貨幣價值進行計算以釐定應可按公平值(按本公司股份的平均年度市場股價而釐定)購入的股份數目。按以上方式計算所得股份數目會與假計全面行使認股權而發行的股份數目作出比較。

17. 股息

董事並不建議就截至二零零七年六月三十日止六個月支付股息(截至二零零六年六月三十日止六個月: 每股普通股0.03港元·合共人民幣26,929,000元)。

18. 或然事項

30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
21,889	21,889

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

18. CONTINGENCIES (Continued)

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

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

18. 或然事項 (續)

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

本公司董事及本集團的管理層預期上述或然事項不會產生重大負債。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

19. COMMITMENTS

(a) Capital commitments

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

19. 承擔

(a) 資本承擔

於結算日的資本開支(但未產生)為如下:

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備		
Contracted but not provided for	已訂約但未撥備	296,435	75,513
Authorised but not contracted for	已授權但未訂約	-	207,178
		296,435	282,691

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

19. COMMITMENTS (Continued)

(b) Operating leases commitments

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

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

19. 承擔 (續)

(b) 經營租賃承擔

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

根據不可撤銷經營租賃之未來最低租賃款項總額如下：

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Not later than one year	一年內	5,388	2,552
Later than one year and not later than five years	一年後至五年內	17,203	9,089
Later than 5 years	五年後	62,828	79,024
		85,419	90,665

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

20. RELATED PARTY TRANSACTIONS

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

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

Name of related party
關聯方名稱

Hong Tianzhu
洪天祝

New Green Group Limited

Nantong Shuanghong Textile Co., Ltd.
南通雙虹紡織品有限公司

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

天虹印染(無錫)有限公司

Nantong Textile Group Co., Ltd.

南通紡織控股集團紡織染有限公司

20. 與關聯方的交易

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

- (a) 本公司董事及本集團的管理層認為下列公司／人士為本集團的關聯方：

Relationship with the Group
與本集團的關係

Director
董事

Shareholder
股東

Controlled by Hong Tianzhu, a director
由董事洪天祝控制

Controlled by Hong Kong Tin Hong Industrial Limited, a company controlled by Hong Tianzhu, a director

由香港天虹實業有限公司(董事洪天祝控制的公司)控制

An associate of Hong Kong Tin Hong Industrial Limited, a company controlled by Hong Tianzhu, a director

香港天虹實業有限公司(董事洪天祝控制的公司)的聯營公司

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

20. RELATED PARTY TRANSACTIONS

(Continued)

(b) Sales/purchase of goods

20. 與關聯方的交易 (續)

(b) 銷售／購買貨品

		Six months ended 30 June	
		截至六月三十日止六個月	
		2007	2006
		二零零七年	二零零六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司		
– Purchase of goods	– 購買貨品	529	1,107
– Sales of goods	– 銷售貨品	33	4,688
Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	天虹印染(無錫)有限公司		
– Purchase of goods	– 購買貨品	622	5,305
– Sales of goods	– 銷售貨品	24	4,552

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

20. RELATED PARTY TRANSACTIONS

(Continued)

(c) Period-end balances arising from sales/purchases of goods

20. 與關聯方的交易 (續)

(c) 銷售／購買貨品產生之
期末結餘

		30 June 2007 二零零七年 六月三十日 RMB'000 人民幣千元	31 December 2006 二零零六年 十二月三十一日 RMB'000 人民幣千元
Receivables from related parties	應收關連方之款項		
Tianhong Printing and Dyeing (Wuxi) Co., Ltd	天虹印染(無錫)有限公司	4,010	4,327
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司	1,655	141
		5,665	4,468
Deposits from related parties	來自關聯方之訂金		
Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	天虹印染(無錫)有限公司	197	-
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司	-	549
		197	549

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

與關聯方的結餘為無抵押、免息及須於一年內償還。

Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

20. RELATED PARTY TRANSACTIONS

(Continued)

(d) Key management compensation

Salaries, wages and bonuses	薪金、工資及花紅
Pension cost (defined contribution plan)	退休金成本(界定供款計劃)
Other benefits	其他福利

20. 與關聯方的交易(續)

(d) 主要管理層薪酬

Six months ended 30 June

截至六月三十日止六個月

2007	2006
二零零七年	二零零六年
RMB'000	RMB'000
人民幣千元	人民幣千元
2,452	2,914
106	94
456	—
3,014	3,008

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 11 July 2007, Texhong Textile Nantong Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire 37% equity interest of Nantong Textile Group Co., Ltd. ("Nantong Textile") from Hong Kong Tin Hong Industrial Limited, a company wholly owned by Mr. Hong Tianzhu, an executive Director and Chairman of the Group, for a total consideration of RMB30,000,000 comprising cash of RMB15,000,000 and 10,655,173 shares of the Company (based on the average closing share price of HK\$1.45 for the last five trading days immediately prior to the date of signing of the agreement).

Up to the date of approval of these condensed consolidated interim financial information, the transaction has not yet been completed and there is insufficient financial information available for the Group to identify and determine the fair values to be assigned to Nantong Textile's identifiable assets acquired, liabilities and contingent liabilities assumed for the purpose of allocation of purchase consideration and estimation of goodwill.

21. 結算日後發生事項

於二零零七年七月十一日，本公司之全資附屬公司天虹紡織南通有限公司訂立一項買賣協議，向香港天虹實業有限公司(本集團執行董事兼主席洪天祝先生全資擁有之公司)收購南通紡織控股集團紡織染有限公司(「南通紡織」)37%的股權，總代價為人民幣30,000,000元，包括現金人民幣15,000,000元以及本公司股份10,655,173股(以簽訂協議日期前最後五個交易日平均收市價每股1.45港元計算)。

截至該等簡明綜合中期財務資料獲批准之日，有關交易尚未完成，因此，本集團並未獲得足夠財務資料，以確認及釐定將轉讓予南通紡織之已收購可識別資產之公平值，以及就調配收購代價及估計商譽而承擔之負債及或然負債之公平值。

Management Discussion and Analysis 管理層討論及分析

BUSINESS REVIEW

China textile industry faced several challenges in the first half of 2007. Restrictions posted by the EU and the US on the export of China's textile and garment products, together with RMB appreciation and the reduction in VAT refund in export of textile and garment products have substantially reduced the growth magnitude of the export sector of China textile industry, considerable amounts of the textile and garment orders from the EU and the US has been shifted from China to other countries in Asia. As a result, we noted a slow down in growth of export sector and export sales of China's textile and garment products. In the first half of 2007, China's textile and garment export grew by 17.6%, a slow down of 6.9 percentage points, as compared to an increase of 24.5% in the first half of 2006. In addition, significant increase in cost of raw material, energy and labour and more stringent environmental protection policy have declared a substantial increase in cost and erosion in the profitability of the textile and garment manufacturing sector, especially for those in the down stream of the industry chain.

Despite of the unfavorable market environment, the Group has gained further market recognition in the core-spun textile sector in Mainland China as well as in the overseas market. Sales volume of yarn and grey fabrics increased by 26.6% and 18.6% to 42,007 tonnes and 50.5 million meters, respectively for the six months ended 30 June 2007. Geographically, the Group's yarn and grey fabrics were mainly sold domestically in China with major customers located in Jiangsu Province, Zhejiang Province and Guangdong Province. Sales from domestic market increased by 24.8% and reached a record high of RMB1,311.7 million in the first half of 2007, with Guangdong market gaining further in market share and achieved a substantial increase in sales of 52.0% as compared to the corresponding period last year.

業務回顧

中國的紡織業於二零零七年上半年面臨多項挑戰。由於歐盟和美國向中國紡織及成衣產品出口設置了種種限制，加上人民幣升值及於紡織及成衣產品出口方面的增值稅退稅減少，導致中國紡織業在出口方面遭到沉重打擊。不少來自歐盟和美國的紡織及成衣產品的訂單，現已從中國轉往亞洲其他國家。因此，我們注意到中國紡織及成衣產品出口及出口銷售增長放緩。於二零零七年上半年，中國紡織及成衣產品出口增長**17.6%**，比二零零六年上半年錄得**24.5%**的增長放緩**6.9**個百分點。另外，原材料、能源及勞工成本顯著上升，以及更嚴苛的環保政策令成本大幅上升，進一步降低紡織品及成衣製造業的盈利能力，尤其以位於業界下游的紡織品廠商所受影響最大。

儘管市況出現不利因素，本集團在中國大陸及海外市場於棉芯紡織品業界方面仍取得進一步的市場認同。截至二零零七年六月三十日止六個月，紗線及坯布的銷量分別上升**26.6%**及**18.6%**，至**42,007**噸及**50,500,000**米。地區方面，本集團生產的紗線及坯布主要於中國國內進行銷售，主要客戶位於江蘇省、浙江省和廣東省。二零零七年上半年本集團於國內市場的銷售額再創新高，上升**24.8%**至人民幣**1,311,700,000**元。廣東省的市場份額進一步擴大，區內銷售與去年同期相比錄得**52.0%**的顯著升幅。

Management Discussion and Analysis 管理層討論及分析

BUSINESS REVIEW (Continued)

However, the unfavorable market environment of China textile industry, especially in the export sector, has impacted adversely on the Group's profitability for the six months ended 30 June 2007. The overall gross margins of the Group's products dropped by 3.7 percentage points to 13.8% compared to 17.5% for the corresponding period last year. The significant drop in the gross margin was partly due to decrease in average selling price of grey fabrics as a result of the RMB appreciation and the reduction in VAT refund of exported textile products and partly due to the substantial increase in the cost of spandex, which is the second major raw material of the Group, besides cotton.

In response to the recent market changes, the Group has reviewed its business development strategies and reinforced/formulated following strategies and implemented its business plans accordingly:

(i) Expand product variety through cooperation with giant fiber suppliers and strengthening of its own R&D

Following the cooperation with Dow Chemical since 2006, the Group has entered into a strategic partnership agreement with Lenzing Fibers (Shanghai) Co., Ltd. in April 2007, which is a wholly owned subsidiary company of Lenzing AG-Austria, a world leader in cellulose fiber technology, with an annual production capacity of about 520,000 tonnes of Viscose, Modal and Tencel (Lyocell) fibers. The cooperation with the giant fiber suppliers helps the Group in exploring high-end textile and garment market in both Mainland China and overseas. As a result, the Group has gained some prominent customers in Japan and Europe and considerable number of orders from overseas.

業務回顧 (續)

然而，中國紡織業（特別出口方面）出現不利的市場因素，影響了本集團截至二零零七年六月三十日止六個月的盈利表現。本集團產品的整體毛利率下跌3.7個百分點至13.8%，去年同期則錄得17.5%，部分原因是人民幣升值以及紡織品出口增值稅退稅減少，令坯布的平均售價下降；另一原因則是氨綸（本集團使用第二主要原材料，僅次於棉花）的成本大幅上漲所引致。

為應付最近的市場變化，本集團已重估其業務發展策略，並相應加強／制訂以下策略和執行其業務計劃如下：

(i) 通過與大型纖維供應商合作及加強本集團的研發部門來增加產品種類

繼二零零六年與陶氏化學合作後，本集團於二零零七年四月與蘭精纖維（上海）有限公司訂立一項戰略性合作夥伴協議，該公司是奧地利蘭精集團（在纖維素纖維技術方面堪稱世界翹楚）的全資附屬公司，每年生產粘膠、莫代爾及天絲（Lyocell）纖維的產能約520,000噸。本集團通過與這些大型纖維供應商合作，有助本集團在中國大陸和海外開發高端紡織及成衣市場。因此，本集團在日本和歐洲爭取得不少高端客戶，並從海外獲取大量訂單。

Management Discussion and Analysis 管理層討論及分析

BUSINESS REVIEW (Continued)

(i) Expand product variety through cooperation with giant fiber suppliers and strengthening of its own R&D (Continued)

In addition, the Group has centralised its research and development resources from its headquarter and all PRC factories and established a formal research and development centre in Changzhou to enhance the Group's research and new product development capability and expand the Group's product variety. Following the successful launch of metallic wire series textile products, the Group has actively launched to the market core-spun textile products with polyester, nylon and polypropylene in the first half of 2007.

The above actions have gained encouraging response from the market in the first half of 2007. As a result, sales of the Group's non-spandex core-spun textile products grew significantly by 105.7% to RMB204.9 million compared to corresponding period last year. The Directors believe that continuous and actively launch of new and high value-added core-spun textile products is an effective tool to enhance the Group's leading position in core-spun textile products in the world. In addition, expanding our product variety could effectively diversify the risk of fluctuation in raw material cost in the long run.

業務回顧 (續)

(i) 通過與大型纖維供應商合作及加強本集團的研發部門來增加產品種類 (續)

另外，本集團已集中總部及中國各地工廠研發部門的資源，在常州成立一個研發中心，以提升本集團開發新產品的能力，同時增加本集團的產品種類。自成功推出金屬絲系列的紡織品後，本集團已於二零零七年上半年積極推出滌綸、錦綸及丙綸長絲的棉包芯紡織品。

上述措施於二零零七年上半年取得了令人鼓舞的效果。因此，本集團非氨綸棉包芯紡織品的銷量與去年同期相比大幅上升105.7%人民幣204,900,000元。董事相信，持續積極地推出新款高附加值棉包芯紡織品，能有效提高本集團在棉包芯紡織品市場的全球領先地位。長遠來說，增加產品種類也可有效分散原材料成本波動的風險。

Management Discussion and Analysis 管理層討論及分析

BUSINESS REVIEW (Continued)

(ii) Capacity expansion in Vietnam for lowering manufacturing cost

To overcome the continuous increasing pressure of the manufacturing cost in China, the Group made a strategic move in 2006 to shift its yarn capacity expansion focus from low-cost acquisitions in China to expansion in Vietnam. It is the Group's plan to expand its yarn production capacity in Vietnam to approximately 350,000 spindles before the end of 2008, gradually by three phases. Phase I of the Vietnam expansion plan comprises 70,000 spindles, part of the Phase I production lines have been put into trial run operations in August 2007 and the Group plans to commence commercialised production of the Phase I in October 2007. Phase II of about 140,000 spindles is currently in the planning stage, construction work is planned to kick-off by the end of September 2007. It is expected that Phase II could be put into trial run production in the second quarter of 2008. Phase III of about 140,000 spindles is planned to start construction work immediately after the completion of Phase II and expected to start trial run production in the first half of 2009.

As the estimated overall average manufacturing cost (including labour and electricity costs) in Vietnam would be substantially lower than the Group's current average manufacturing cost of its 11 factories in China, the Directors believe that, after putting into operations of the production facilities on completion of Phase I, II and III, the Group's average manufacturing cost could be gradually lowered, and the Group's overall gross margin of its products is likely to be improved in the near future.

業務回顧 (續)

(ii) 擴大越南的產能以降低生產成本

為克服在中國生產成本持續上升的壓力，本集團於二零零六年改變策略，將其擴大紗線產能的重點由在中國進行低成本併購轉為在越南擴充產能。本集團計劃於二零零八年年底前，分三期投資將越南的紗線產能逐步擴充至約350,000個紗錠。越南擴充計劃第一期的產能包括70,000個紗錠。部分第一期生產線於二零零七年八月試產，而本集團計劃於二零零七年十月開始進行第一期的商業投產。第二期產能擴充目前處於規劃階段，包括約140,000個紗錠。有關工程計劃於二零零七年九月底展開，預計於二零零八年第二季可進行試產。越南擴充計劃第三期包括約140,000個紗錠，計劃於緊隨第二期完成後動工，預期於二零零九年上半年開始試產。

由於在越南的整體平均製造成本（包括勞工及電費開支）預期會大大低於本集團目前在中國11個廠房的平均製造成本，故董事相信，隨著第一期、第二期及第三期完成後生產設施陸續投產，本集團的平均製造成本可逐漸降低，因而在可見將來本集團產品的整體毛利率將會大大改善。

Management Discussion and Analysis 管理層討論及分析

OUTLOOK

As the textile agreement between the EU and China will expire at the end of 2007 and accordingly all EU's quota restrictions on China's textile products are supposed to be removed starting from January 2008. However, it is believed that potential threats arising from trade protectionism is likely to appear again in China's textile product trading with EU and the US, they might adopt other trade restrictions on the export of China's textile and garment products such as technical trade barriers in order to restrict the expected enormous growth in China's textile and apparel exports. In addition, the rapid growth of the textile industries in developing countries such as India and Pakistan poses further challenges to China textile industry. Furthermore, the export VAT refund on garments has been further cut by 2% starting from 1 July 2007, it is expected that garment export sector of China textile industry will be significantly affected and that part of the margin pressure will have to be shared by the upstream fabric manufacturers in China. All of these will accelerate the consolidation process of the textile and garment industry in China, which will, in the long run, enhance the competitiveness and economies of scale of large-scaled textile enterprises.

In the first half of 2007, the Group has gained further market share and customer base in Southern China and export market including Hong Kong, Japan, Turkey and ASEAN countries. We expect that the Group's current growth trend on sales of core-spun textile products will sustain in the second half of 2007. The Group will continue to implement its Vietnam investment plan and expand its upstream yarn production capacity in Vietnam for supplying the Group's customer base in Southern China and overseas market. By taking the advantages of the expected substantially lower manufacturing cost in Vietnam as compared to China, it is expected that the Group's overall average cost of its core-spun textile products could be decreased in the near future after the planned yarn production capacity of 350,000 spindles in Vietnam has been gradually put into commercialised operations in 2007 and 2008.

展望

由於歐盟與中國簽訂的紡織品協議將於二零零七年年終屆滿，預計歐盟針對中國紡織品的所有配額限制將於二零零八年一月起撤銷。然而，相信歐盟及美國針對中國紡織品貿易而採取保護主義的潛在威脅將再度出現。歐盟及美國可能對中國的紡織及成衣產品採取技術壁壘等其他貿易限制措施，以限制中國紡織品及成衣出口量的預期大量增長。此外，隨著印度及巴基斯坦等發展中國家紡織業的快速發展，中國的紡織業將面臨更大的挑戰。再者，從二零零七年七月一日起成衣出口的增值稅退稅率已進一步下調了2%。預料中國紡織業的成衣出口業務將受到極大影響，而中國的上游布料生產商將須承擔部分邊際利潤下調的壓力。以上因素將加速中國紡織及成衣業的整合過程，因而長遠而言必將令到大型紡織企業加強競爭力及規模經濟。

二零零七年上半年，本集團已在華南市場及出口市場（包括香港、日本、土耳其及東盟國家）進一步取得更大市場佔有率及擴闊客戶群。我們期望，本集團目前就棉包芯紡織品銷售的增長勢頭於二零零七年下半年將會持續。本集團將繼續實施其越南投資計劃，並擴大其在越南的上游紗線產能，以供應本集團於華南及海外市場的客戶。由於在越南的製造成本遠低於中國，故預料在不久之將來當計劃中可生產350,000個紗錠的越南廠房於二零零七年及二零零八年陸續開始商業投產後，本集團棉包芯紡織品的整體平均生產成本將會下降。

Management Discussion and Analysis 管理層討論及分析

OUTLOOK (Continued)

Following the establishment of the research and development centre in Changzhou, the Group will devote more resources to improve its competitive strengths by introducing more innovative new core-spun cotton textile products like the core-spun yarn and fabrics with metallic wires, polyester, polypropylene and nylon for improving the Group's product structure and enhance the overall profit margin of the Group's products. At the same time, the Group will focus on brand name development of its yarn and fabric products after the successful launch of the international standard sales platform at Texhong (China) Investment Co., Ltd, its regional headquarter in Shanghai in July 2007.

To achieve the Group's principal development strategy of becoming a leading vertically integrated manufacturer of high value-added core-spun cotton textile products in the international market, the Group has entered into an acquisition agreement to acquire 37% of equity interest of a dyeing and printing company in Nantong in July 2007. It helps the Group to enter into the fabrics printing and dyeing market in China. In addition, it also provides a low cost acquisition opportunity of yarn spinning capacity to the Group as the factory is currently building a yarn spinning capacity of 60,000 spindles and is expected to commence commercialised production in September 2007. Together with the new production plant in Vietnam which will commence production in October 2007, it is expected that these operations will start contributing to performance of the Group in the second half of 2007.

Looking ahead, China will remain as the Group's core market and it is expected that sales in China will attain outstanding increase due to the rapid growth in domestic consumption power in recent years. Being one of the most competitive cotton textile manufacturers in China and a leading supplier of core-spun textile products in the world, the Directors are confident that, in the second half of 2007, the Group's market position will be further enhanced in line with its business expansion plans.

展望 (續)

本集團於常州成立研發中心後，將集中更多資源推出更創新的棉包芯紡織品（如金屬絲、滌綸、錦綸及丙綸的棉包芯紗線及紡織品），以增強產品的競爭力，從而優化產品結構，提高本集團產品的整體毛利率。同時，本集團於二零零七年七月在上海地區總部天虹（中國）投資有限公司成功推出具國際水平的銷售平台後，將會加強其紗線及坯布產品的品牌開發業務。

為實現本集團的重要發展策略，成為國際市場高增值棉包芯紡織品的領先縱向整合生產商，本集團於二零零七年七月訂立一項收購協議以收購南通一間印染公司37%的股權。此舉有助本集團進軍中國印染市場。此外，由於該廠房正裝配可生產60,000個紗錠的生產線，預料於二零零七年九月開始商業投產，故有關收購亦為本集團提供以低成本收購紡紗產能的機會。連同將於二零零七年十月投入商業生產的越南新廠房在內，預期上述業務將於二零零七年下半年開始為本集團帶來盈利貢獻。

展望未來，中國仍將是本集團的核心市場。隨著近年來國內居民的消費力快速上升，預料在中國的銷售額將錄得顯著的增長。基於本集團是中國最有競爭力的棉紡織品製造商及全球主要棉包芯紡織品供應商之一，故董事相信，於二零零七年下半年本集團的市場地位將會因其業務擴充計劃而進一步得到鞏固。

Management Discussion and Analysis 管理層討論及分析

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2007, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB97.2 million (As at 31 December 2006: RMB154.3 million).

As a result of business expansion during the period under review, the Group's inventories and trade and bills receivables increased by RMB72.6 million and RMB43.0 million to RMB523.3 million and RMB270.5 million respectively (As at 31 December 2006: RMB450.7 million and RMB227.5 million). The inventory turnover days and trade receivable turnover days are 71 days and 31 days respectively, compared to 58 days and 27 days respectively as at 31 December 2006.

To cater for the working capital and capital expenditure requirement as a result of the Group's business expansion, the Group's bank borrowings increased by RMB149.8 million to RMB662.8 million (As at 31 December 2006: RMB513.0 million).

As at 30 June 2007, the Group's financial ratios were as follows:

Current ratio	流動比率
Debt to equity ratio ¹	負債權益比率 ¹
Net debt to equity ratio ²	負債淨額權益比率 ²

¹ Based on total borrowings over total equity

² Based on total borrowings net of cash and cash equivalents and pledged bank deposits over total equity

財務回顧

流動資金及財務資源

於二零零七年六月三十日，本集團之銀行及現金結餘（包括已抵押銀行存款）為人民幣97,200,000元（於二零零六年十二月三十一日：人民幣154,300,000元）。

隨著業務於回顧期內擴充，本集團的存貨和應收貿易及票據款項分別增加人民幣72,600,000元及人民幣43,000,000元至人民幣523,300,000元及人民幣270,500,000元（於二零零六年十二月三十一日：人民幣450,700,000元及人民幣227,500,000元）。存貨周轉日數及應收貿易款項周轉日數分別為71日和31日，於二零零六年十二月三十一日分別為58日和27日。

為配合本集團擴充業務所需的營運資金及資本開支需求，本集團的銀行借貸增加人民幣149,800,000元至人民幣662,800,000元（於二零零六年十二月三十一日：人民幣513,000,000元）。

於二零零七年六月三十日，本集團之財務比率如下：

	30 June 2007 二零零七年 六月三十日	31 December 2006 二零零六年 十二月三十一日
	1.16	1.24
	0.73	0.60
	0.62	0.42

¹ 總借貸除總權益

² 總借貸減現金及現金等值物及已抵押銀行存款除總權益

Management Discussion and Analysis 管理層討論及分析

FINANCIAL REVIEW (Continued)

Foreign exchange risk

Majority of the Group's sales, purchases and expenses are denominated in Renminbi, in the opinion of the Board, the exposure to fluctuations in foreign currency exchange rates is minimal. Except the interest rate swap entered in 2006 with ABN AMRO in order to mitigate interest rate risk and foreign exchange risk for repayment of US\$21 million syndication loan, the Group did not involve in any other hedging activities during the period under review.

Capital expenditure

For the six months ended 30 June 2007, the capital expenditure of the Group amounted to approximately RMB248.7 million (For the six months ended 30 June 2006: RMB62.2 million). It represents additions to land use rights and property, plant and equipment for new production plant in Vietnam and the new yarn factory in Xuzhou, Jiangsu Province of 50,000 spindles.

Pledge of assets

As at 30 June 2007, the Group's inventories, land use rights and buildings and machinery and equipment with an aggregated net book amount of approximately RMB127.5 million (as at 31 December 2006: RMB110.3 million) were pledged to secure general banking facilities of the Group.

Contingent liabilities

As at 30 June 2007, the Group had contingent liabilities of RMB21.9 million (as at 31 December 2006: RMB21.9 million). Such amount represented government grants obtained from the Management Committee of Taizhou Economic Development Zone in connection with the Group's purchase of a piece of land in Taizhou, Jiangsu Province, China.

財務回顧 (續)

外匯風險

由於本集團的銷售、採購及開支均主要以人民幣計值，董事會認為，外匯匯率波動之風險不大。除於二零零六年與荷蘭銀行訂立利率掉期，以減低有關償還21,000,000美元銀團貸款的利率風險及外匯風險外，本集團於回顧期內並無涉及任何其他對沖活動。

資本開支

於截至二零零七年六月三十日止六個月，本集團之資本開支約為人民幣248,700,000元（截至二零零六年六月三十日止六個月：人民幣62,200,000元），包括就越南新廠房及擁有50,000個紗錠產能的江蘇省徐州的新紗線廠添置土地使用權及物業、廠房及設備。

資產抵押

於二零零七年六月三十日，本集團共有總賬面淨值約為人民幣127,500,000元（於二零零六年十二月三十一日：人民幣110,300,000元）之存貨、土地使用權以及樓宇、機器及設備已作抵押，以取得授予本集團的一般銀行融資。

或然負債

於二零零七年六月三十日，本集團的或然負債為人民幣21,900,000元（於二零零六年十二月三十一日：人民幣21,900,000元），該金額乃關於本集團購買一幅位於中國江蘇省泰州的土地而獲泰州經濟開發區管理委員會發放的政府撥款。

Management Discussion and Analysis 管理層討論及分析

FINANCIAL REVIEW (Continued)

Human resources

As at 30 June 2007, the Group had a total workforce of 14,845 (as at 31 December 2006: 12,567), of whom 13,636 were based in the regional headquarter in Shanghai and in our 11 manufacturing plants in mainland China. The remaining 1,209 were located in outside-mainland China region including Vietnam, Hong Kong and Macau. New employees were recruited to cater for the Group's business expansion during the period under review. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organisation. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contributions of all functional divisions comprising of skilled and motivated staff.

Dividend policy

In view of the estimated significant capital investment in Vietnam and the related working capital requirements of the Group in the second half of 2007, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: HK\$0.03 per share). Depending on the financial and cash position of the Group, the Board still intends to maintain a long term, stable dividend payout ratio, providing shareholders with an equitable return, therefore it will consider recommending the payment of a final dividend for the year ended 31 December 2007.

財務回顧 (續)

人力資源

於二零零七年六月三十日，本集團員工合共14,845名（於二零零六年十二月三十一日：12,567名），其中13,636名駐於上海地區總部及本集團在中國大陸的11個廠房。其餘1,209名駐於中國大陸以外地區（包括越南、香港及澳門）。新聘僱員乃為應付本集團於回顧期內擴充之業務。本集團向其員工提供具競爭力的酬金計劃。此外，合資格員工亦可按其個人及本集團之表現獲授酌情花紅及購股權。本集團之成功有賴由技巧純熟且士氣高昂的員工組成各職能部門，故此本集團致力於集團內孕育學習與分享的文化，重視員工之個人培訓及發展，以及建立團隊。

股息政策

考慮到本集團於越南的預計資本投資龐大及二零零七年下半年的營運資金需求，董事會建議不派發截至二零零七年六月三十日止六個月之中期股息（二零零六年：每股股息0.03港元）。視乎本集團的財務及現金流量狀況而定，董事會仍致力維持長遠而穩定的派息比率，務求為股東爭取優厚的投資回報，因此將考慮派發截止二零零七年十二月三十一日止年度之末期股息。

Additional Information 其他資料

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, 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.

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 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 issue as at the date of the shareholders' approval.

購買、出售及贖回本公司之上市證券

於報告期內，本公司或其附屬公司概無購買、出售或購回本公司上市證券。

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。

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%。

Additional Information 其他資料

SHARE OPTIONS (Continued)

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

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

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

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

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the 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.

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所有發行在外而尚未行使之購股權倘獲行使而可予發行股份之數目不得超過本公司不時已發行股份之30%。

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

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

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

根據購股權計劃，股份之認購價將由董事釐定，惟不得少於（以較高者為準）(i) 授出購股權要約日期（須為營業日）在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。

Additional Information 其他資料

SHARE OPTIONS (Continued)

As at 30 June 2007, 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 of the Company dated 30 November 2004, 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)

於二零零七年六月三十日，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日期為二零零四年十一月三十日之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。

Additional Information 其他資料

SHARE OPTIONS (Continued)

As at 30 June 2007, 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 in issue at that date.

Details of the outstanding share options as at 30 June 2007 which have been granted under the Pre-IPO Share Option Scheme are as follows:

購股權 (續)

於二零零七年六月三十日，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%。

於二零零七年六月三十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 購股權股份數目		Outstanding at 30 June 2007 於二零零七年六月三十日尚未行使	Exercise price 行使價 HK\$ 港元	Exercisable period 行使期 (Note) (附註)
		Outstanding at 1 January 2007 於二零零七年一月一日尚未行使	Exercised during the period 期內行使			
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 沙淘先生	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

Additional Information 其他資料

SHARE OPTIONS (Continued)

購股權 (續)

	Date of grant 授出日期	Number of option shares 購股權股份數目		Outstanding at 30 June 2007 於二零零七年 六月三十日 尚未行使	Exercise price 行使價 HK\$ 港元	Exercisable period 行使期 (Note) (附註)
		Outstanding at 1 January 2007 於二零零七年 一月一日 尚未行使	Exercised during the period 期內行使			
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 Company's initial public offering.

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公司首次公開發售後各年的每日股價統計分析計算。

Additional Information 其他資料

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

At 30 June 2007, 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

於二零零七年六月三十日，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及淡倉，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及淡倉（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及淡倉）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 interests 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	Beneficiary 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%

Additional Information 其他資料

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 (其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本的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本的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。

Additional Information 其他資料

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

So far as the Directors are aware, as at 30 June 2007, 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:

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

就董事所知悉，於二零零七年六月三十日，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 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	
		Number of ordinary shares (Note 1) 普通股股份數目 (附註1)	Percentage 百分比
New Green Group Limited	Beneficial owner 實益擁有人	388,000,000 (L) (Note 2) (附註2)	44.50%
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)	44.50%
Ms. Ke Luping 柯綠萍女士	Interest of spouse 配偶權益	555,900,000 (L) (Note 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%

Additional Information 其他資料

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

Notes:

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 SFO, Mr. Cheah Cheng Hye is deemed to be interested in all the Shares held by Value Partners Limited.

主要股東持有之本公司股份及相關股份及債權證之權益及淡倉(續)

附註:

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(其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、胡志平先生、湯道平先生、龔照先生、沙陶先生、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持有之所有股份佔有權益。

Additional Information 其他資料

CORPORATE GOVERNANCE

The Group was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Code of Corporate Governance Practices (“Code Provisions”) set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange. During the reporting period, the Company had complied with the Code Provisions except for the following deviation:

Code A.2.1

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Hong Tianzhu is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority which is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly every three months to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Hong Tianzhu and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

企業管治

本集團一直致力維持高水平企業管治，以開明和開放的理念維護本集團的發展及保障股東們的權益。

董事會由四名執行董事及三名獨立非執行董事組成。董事會已採納載於聯交所證券上市規則（「《上市規則》」）附錄14之企業管治常規守則內的守則條文（「《守則條文》」）。除以下偏離情況外，本公司於報告期內已遵守《守則條文》：

守則A.2.1

守則A.2.1規定主席與行政總裁的角色應有區分，並不應由一人同時兼任。洪天祝先生為本公司的主席兼行政總裁。董事會認為此架構不會影響董事會與本公司管理層兩者之間權力和職權的平衡。董事會由極具經驗和才幹的成員組成，並定期每三個月開會，以商討影響本公司運作的事項。透過董事會的運作，足以確保權力和職權得到平衡。董事會相信此架構有助於建立穩健而一致的領導權，使本集團能夠迅速及有效地作出及實施各項決定。董事會對洪天祝先生充滿信心，相信委任彼出任主席兼行政總裁之職，有利於本公司的業務發展。

Additional Information 其他資料

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code"). After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding the Directors' securities transactions during the reporting period.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including 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 has discussed with management and reviewed the unaudited consolidated accounts for the six months ended 30 June 2007.

董事進行證券交易的標準守則

本公司已就董事證券交易採納一套行為守則，其條款之嚴格程度不遜於《上市規則》附錄10所載上市公司董事進行證券交易的標準守則（「《標準守則》」）。經本公司特別查詢後，全體董事確認彼等在報告期內一直遵守《標準守則》所載規定準則及有關董事證券交易的行為守則。

審核委員會

本公司已成立審核委員會，由三名獨立非執行董事組成，包括丁良輝先生、朱蘭芬女士及程隆棟先生。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。

審核委員會已與管理層商討並已審閱截至二零零七年六月三十日止六個月之未經審核綜合賬目。

Additional Information 其他資料

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.

By order of the Board
Texhong Textile Group Limited
Hong Tianzhu
Chairman

Hong Kong
27 August 2007

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、程隆棟先生及主席兼執行董事洪天祝先生組成。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。

承董事會命
天虹紡織集團有限公司
主席
洪天祝

香港
二零零七年八月二十七日