



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
2008
二零零八年中期報告

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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

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

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

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

REMUNERATION COMMITTEE

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

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Shu Wa Tung, Laurence
(resigned on 2 July 2008)
Mr. Cheng Chi Ming
(appointed on 2 July 2008)

公司秘書 及合資格會計師

舒華東先生
(於二零零八年七月二日辭任)
鄭志明先生
(於二零零八年七月二日上任)

AUTHORISED REPRESENTATIVES

Mr. Hong Tianzhu
Mr. Shu Wa Tung, Laurence
(resigned on 2 July 2008)
Mr. Cheng Chi Ming
(appointed on 2 July 2008)

授權代表

洪天祝先生
舒華東先生
(於二零零八年七月二日辭任)
鄭志明先生
(於二零零八年七月二日上任)

HEAD OFFICE

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

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

CORPORATE INFORMATION

公司資料

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

WEBSITE

www.texhong.com

STOCK CODE

2678

註冊辦事處

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

主要往來銀行

花旗銀行(中國)有限公司上海分行
荷蘭銀行(中國)有限公司
(前稱荷蘭銀行有限公司上海分行)
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

互聯網址

www.texhong.com

股份編號

2678

CONDENSED CONSOLIDATED BALANCE SHEET

簡明綜合資產負債表

			Unaudited 未經審核 As at 2008 30 June 於二零零八年 六月三十日 RMB'000 人民幣千元	Audited 經審核 As at 2007 31 December 於二零零七年 十二月三十一日 RMB'000 人民幣千元
		<i>Note</i> 附註		
ASSETS	資產			
Non-current assets	非流動資產			
Land use rights	土地使用權	3	89,641	104,622
Property, plant and equipment	物業、廠房及設備	4	1,453,581	1,187,543
Investment in an associate	聯營公司之投資		50,056	43,799
Deferred income tax assets	遞延所得稅資產		1,446	3,607
			1,594,724	1,339,571
Current assets	流動資產			
Inventories	存貨		672,898	651,899
Trade and bills receivables	應收貿易及票據款項	5	542,362	364,832
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	6	92,931	78,440
Pledged bank deposits	已抵押銀行存款		54,681	10,773
Cash and cash equivalents	現金及現金等值物		209,804	199,615
			1,572,676	1,305,559
Current liabilities	流動負債			
Trade and bills payables	應付貿易及票據款項	7	536,142	467,502
Accruals and other payables	預提費用及其他應付賬款	8	267,656	155,637
Current income tax liabilities	當期所得稅負債		10,775	7,325
Borrowings	借貸	9	246,632	225,253
Derivative financial liabilities	衍生金融負債	10	14,560	-
Dividend payable	應付股息		58,281	-
			1,134,046	855,717
Net current assets	流動資產淨值		438,630	449,842
Total assets less current liabilities	總資產減流動負債		2,033,354	1,789,413

CONDENSED CONSOLIDATED BALANCE SHEET

簡明綜合資產負債表

			Unaudited 未經審核 As at 2008 30 June 於二零零八年 六月三十日 RMB'000 人民幣千元	Audited 經審核 As at 2007 31 December 於二零零七年 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	931,363	702,584
Deferred income tax liabilities	遞延所得稅負債		10,717	11,078
			942,080	713,662
Net assets	資產淨值		1,091,274	1,075,751
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	11	94,064	93,990
Reserves	儲備		997,210	981,761
Total equity	股東權益總額		1,091,274	1,075,751

The accompanying notes form an integral part of these condensed interim financial statements.

附註為此簡明中期財務報表的一部份。

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	
		2008	2007
		二零零八年	二零零七年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
	Note 附註		
Sales	營業額	13	1,824,086
Cost of sales	銷售成本	14	(1,600,077)
Gross profit	毛利		224,009
Selling and distribution costs	銷售及分銷開支	14	(43,984)
General and administrative expenses	一般及行政開支	14	(89,847)
Other income	其他收入	13	43,921
Other gains/(losses) – net	其他收益/(虧損) – 淨額	13	456
Operating profit	經營溢利		134,555
Finance income	財務收入		36,685
Finance costs	財務費用		(35,066)
Finance income/(costs) – net	財務收入/(費用) – 淨額	15	1,619
Share of loss of an associate	分佔聯營公司虧損		(1,483)
Profit before income tax	除所得稅前溢利		134,691
Income tax expense	所得稅開支	16	(16,521)
Profit for the period, attributable to equity holders of the Company	期內本公司股權持有人應佔溢利		118,170
Earnings per share for profit attributable to the Company's equity holders during the period (expressed in RMB per share)	期內本公司股權持有人應佔溢利之每股盈利 (以每股人民幣表示)		
– Basic	– 基本	17	0.134
– Diluted	– 攤薄	17	0.134
Dividends	股息	18	–

The accompanying notes form an integral part of these condensed interim financial statements.

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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
	Note	股本	其他儲備	保留溢利	總計
	附註	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2008	於二零零八年一月一日的結餘	93,990	488,559	493,202	1,075,751
Profit for the period	期間溢利	-	-	118,170	118,170
Dividend relating to 2007	有關二零零七年之股息	-	-	(62,073)	(62,073)
Issue of shares upon exercise of share options	行使購股權後發行股份	74	437	-	511
Transfer from revaluation reserve to retained earnings	由重估儲備轉撥至保留溢利				
- gross	- 總額	-	(1,328)	1,328	-
- deferred income tax	- 遞延所得稅	-	361	(361)	-
Currency translation differences	匯兌差額	-	(41,085)	-	(41,085)
Balance at 30 June 2008	於二零零八年六月三十日的結餘	94,064	446,944	550,266	1,091,274
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
Dividend relating to 2006	有關二零零六年之股息	-	-	(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

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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	
		2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
Cash flows from operating activities	來自經營活動的現金流量	3,985	14,760
Cash flows from investing activities	來自投資活動的現金流量		
– investment in an associate	– 於聯營公司投資	(7,740)	–
– purchases of property, plant and equipment	– 購買物業、廠房及設備	(232,303)	(223,465)
– 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	1,089	2,115
– proceeds from disposal of land use rights	– 出售土地使用權所得款項	12,255	–
Net cash used in investing activities	投資活動所耗現金淨額	(226,699)	(228,375)
Cash flows from financing activities	來自融資活動的現金流量		
– proceeds from borrowings	– 借貸所得款項	470,586	427,036
– repayments of borrowings	– 償還借貸	(194,286)	(270,465)
– (increase)/decrease in pledged bank deposits	– 已抵押銀行存款(增加)/減少	(43,908)	855
– proceeds from issuance of shares	– 發行股份所得款項	511	–
Net cash generated from financing activities	融資活動所得現金淨額	232,903	157,426
Net increase/(decrease) in cash and cash equivalents	現金及現金等值物增加/(減少)淨額	10,189	(56,189)
Cash and cash equivalents at 1 January	於一月一日之現金及現金等值物	199,615	139,887
Cash and cash equivalents at 30 June	於六月三十日之現金及現金等值物	209,804	83,698

The accompanying notes form an integral part of these condensed interim financial statements.

附註為此簡明中期財務報表的一部份。

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 (collectively, the "Group") are 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 9 December 2004.

The condensed consolidated interim financial information was approved for issue by the Board on 6 September 2008.

This condensed consolidated financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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起，本公司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二零零八年九月六日經董事會批准刊發。

截至二零零八年六月三十日止六個月之簡明綜合財務資料，乃按香港會計準則第34號「中期財務報告」編製。務請與截至二零零七年十二月三十一日止年度之年度財務報表(乃按香港財務報告準則編製)一併閱讀簡明綜合財務資料。

2. 會計政策

除下文所述者外，所採納之會計政策與截至二零零七年十二月三十一日止年度之年度財務報表所採用的一致。有關會計政策見該等年度財務報表。

中期期間之所得稅乃採用適用於預期年度總收益之稅率計算。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

2. ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'
- HK(IFRIC) – Int 12, 'Service concession arrangements'
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Management is assessing the impact of the new requirements and it is not expected to have a material impact on the Group's financial statements as the present operating segments have been identified on the basis of internal reports reviewed by the decision maker.

2. 會計政策(續)

下列新準則、對準則或詮釋之修訂於二零零八年一月一日開始之財政年度首次生效，但目前並不適用於本集團。

- 香港(國際財務報告詮釋委員會) – 詮釋第11號，「香港財務報告準則第2號 – 集團及庫存股份交易」
- 香港(國際財務報告詮釋委員會) – 詮釋第12號，「服務特許權安排」
- 香港(國際財務報告詮釋委員會) – 詮釋第14號，「香港會計準則第19號 – 界定福利資產限額、最低資金要求及其相互關係」

下列新準則、對準則及詮釋之修訂於二零零八年一月一日開始之財政年度已頒佈但尚未生效，且本集團並無提前採納：

- 香港財務報告準則第8號「營運分部」，由二零零九年一月一日或其後開始之年度期間生效。香港財務報告準則第8號取代了香港會計準則第14號「分部報告」，並要求採用「管理方法」，即分部資料須按照與內部報告所採用之相同基準呈報。管理層現正評估有關新規定的影響，鑑於現有營運分部已根據決策者審閱之內部報告確認，預計該準則不會對本集團之財務報表產生重大影響。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

2. ACCOUNTING POLICIES (Continued)

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. It is not expected to have a material impact on the Group's accounts as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.
- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact and it is not expected to have a material impact to the Group.
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

2. 會計政策(續)

- 香港會計準則第23號(修訂)[借貸成本]，由二零零九年一月一日或其後開始之年度期間生效。鑑於本集團已選擇允許之其他處理方法，即根據原香港會計準則第23號將合資格資產應佔之借貸成本予以資本化，預期該準則不會對本集團之帳目產生重大影響。
- 香港財務報告準則第2號(修訂)[以股份為基礎之付款]，由二零零九年一月一日或其後開始之年度期間生效。管理層現正評估其影響，預期將不會對本集團產生重大影響。
- 香港財務報告準則第3號(修訂)[業務合併]及對香港會計準則第27號[綜合及個別財務報表]、香港會計準則第28號[於聯營公司的投資]及香港會計準則第31號[於合營企業的權益]之其後修訂，對收購日期為二零零九年七月一日或其後開始之首個年度報告期開始之日或之後之企業合併生效。管理層現正評估有關收購會計法、綜合及聯營公司之新規定對本集團之影響。本集團並無任何合營企業。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

2. ACCOUNTING POLICIES (Continued)

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact under the revised disclosure requirements of this standard.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This standard does not have any impact on the Group's financial statements.
- IFRS 1 and IAS 27 (amendment) 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

2. 會計政策(續)

- 香港會計準則第1號(修訂)「財務報表之呈報」，由二零零九年一月一日或其後開始之年度期間生效。管理層正評估該準則之經修訂披露規定之影響。
- 香港會計準則第32號(修訂)「金融工具：呈報」及對香港會計準則第1號「財務報表之呈報」之其後修訂，由二零零九年一月一日或其後開始之年度期間生效。此準則與本集團無關。
- 香港(國際財務報告詮釋委員會)－詮釋第13號「客戶忠誠計劃」，由二零零八年七月一日或其後開始之年度期間生效。此準則不會對本集團之財務報表產生任何影響。
- 國際財務報告準則第1號及國際會計準則第27號(修訂)「投資於附屬公司、聯控實體或聯營公司的成本」及對國際會計準則第18號「收入」、國際會計準則第21號「匯率改動之影響」及國際會計準則第36號「資產減值」之其後修訂，由二零零九年一月一日或其後開始之年度期間生效。由於本集團並非首次採用國際財務報告準則，故該修訂與本集團無關。

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 2008	截至二零零八年 六月三十日止六個月	
Opening net book amount as at 1 January 2008	於二零零八年一月一日 之期初賬面淨值	104,622
Disposals	出售	(12,255)
Amortisation	攤銷	(843)
Exchange difference	匯兌差額	(1,883)
Closing net book amount as at 30 June 2008	於二零零八年六月三十日 之期末賬面淨值	89,641
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	70,519
Additions	添置	7,025
Amortisation	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

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

RMB'000
人民幣千元

Six months ended 30 June 2008	截至二零零八年 六月三十日止六個月	
Opening net book amount as at 1 January 2008	於二零零八年一月一日 之期初賬面淨值	1,187,543
Additions	添置	342,768
Disposals	出售	(1,625)
Depreciation	折舊	(45,762)
Exchange difference	匯兌差額	(29,343)
Closing net book amount as at 30 June 2008	於二零零八年六月三十日 之期末賬面淨值	1,453,581
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	(35,333)
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	1,028,002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

5. TRADE AND BILLS RECEIVABLES

Trade receivables	應收貿易款項
Bills receivable	應收票據款項
Less: Provision for impairment of receivables	減：應收款項 減值撥備

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:

0 to 30 days	0日至30日
31 to 90 days	31日至90日
91 to 180 days	91日至180日
181 days to 1 year	181日至1年
Over 1 year	1年以上

5. 應收貿易及票據款項

30 June 2008 於二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 於二零零七年 十二月三十一日 RMB'000 人民幣千元
138,471	132,019
406,217	237,431
544,688	369,450
(2,326)	(4,618)
542,362	364,832

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：

30 June 2008 於二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 於二零零七年 十二月三十一日 RMB'000 人民幣千元
322,187	287,068
175,247	38,459
41,360	32,277
2,632	2,401
3,262	9,245
544,688	369,450

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 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元
Deposits for purchases of raw materials	購買原材料之按金	51,994	63,036
Staff advances	員工墊款	740	2,584
Other receivables	其他應收賬款	1,834	2,689
Value-added tax recoverable	應退之增值稅	1,613	5,160
Prepayments	預付款項	15,305	1,703
Deposits	按金	2,989	3,268
Grants receivable	應收補助	18,456	-
		92,931	78,440

7. TRADE AND BILLS PAYABLES

7. 應付貿易及票據款項

		30 June 2008 於二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 於二零零七年 十二月三十一日 RMB'000 人民幣千元
Trade payables	應付貿易款項	101,975	152,662
Bills payable	應付票據款項	434,167	314,840
		536,142	467,502

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

7. TRADE AND BILLS PAYABLES (Continued)

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

0 to 90 days	0日至90日
91 to 180 days	91日至180日
181 days to 1 year	181日至1年
Over 1 year	1年以上

7. 應付貿易及票據款項(續)

應付貿易及票據款項的賬齡分析如下：

30 June 2008 於二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 於二零零七年 十二月三十一日 RMB'000 人民幣千元
137,073	272,557
287,843	187,261
110,016	3,671
1,210	4,013
536,142	467,502

8. ACCRUALS AND OTHER PAYABLES

Accrued wages and salaries	應計工資及薪酬
Interest payable	應付利息
Other accrual of expenses	其他應計開支
Deposits from customers	客戶按金
Other deposits	其他按金
Tax payables other than enterprise income tax	應付稅項(企業 所得稅除外)
Other payables	其他應付賬款
Payables for purchase of property, plant and equipment	購買物業、廠房 及設備 應付賬款

8. 預提費用及其他應付賬款

30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元
36,024	38,756
19,177	15,184
15,950	21,176
22,526	14,013
19,941	5,185
6,357	1,496
12,404	33,452
135,277	26,375
267,656	155,637

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

9. BORROWINGS

9. 借貸

		As at 於	
		30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 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))	111,574	32,753
– secured bank borrowings (Note (a))	– 有抵押銀行 借貸(附註(a))	32,058	31,500
– other bank borrowings (Note (b))	– 其他銀行 借貸(附註(b))	103,000	161,000
		246,632	225,253
Non-current	非即期		
– unsecured bank borrowings (Note (c))	– 無抵押銀行 借貸(附註(c))	578,184	486,752
– secured bank borrowings (Note (a))	– 有抵押銀行 借貸(附註(a))	126,484	–
– other bank borrowings (Note (b))	– 其他銀行 借貸(附註(b))	55,218	34,000
– notes payable (Note (d))	– 應付債券款項 (附註(d))	171,477	181,832
		931,363	702,584
Total borrowings	借貸總額	1,177,995	927,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

9. BORROWINGS (Continued)

As at 30 June 2008, bank borrowings bore interest at rates ranging from 5.3% to 7.8% per annum (2007: 6.1% to 7.2%).

- (a) Bank borrowings of approximately RMB158,542,000 as at 30 June 2008 (31 December 2007: RMB31,500,000) were secured by the followings:
- (i) pledge of the Group's land use rights with a net book amount of approximately RMB4,647,000 as at 30 June 2008 (31 December 2007: RMB4,704,000);
 - (ii) pledge of the Group's property, plant and equipment with a net book amount of approximately RMB219,588,000 as at 30 June 2008 (31 December 2007: RMB46,007,000);
 - (iii) pledge of the Group's cash and cash equivalents with amount of approximately RMB23,201,000 as at 30 June 2008 (31 December 2007: Nil).
- (b) Other bank borrowings were secured by cross corporate guarantees provided by certain subsidiaries totalling of RMB158,218,000 as at 30 June 2008 (31 December 2007: RMB195,000,000).
- (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 non-current bank borrowings totalling RMB50,218,000 as at 30 June 2008 (31 December 2007: RMB60,199,000).

9. 借貸(續)

於二零零八年六月三十日，銀行借貸的年利率介乎5.3%至7.8% (二零零七年：6.1%至7.2%)。

- (a) 於二零零八年六月三十日，約人民幣158,542,000元(二零零七年十二月三十一日：人民幣31,500,000元)的銀行借貸以下列項目作抵押：
- (i) 本集團於二零零八年六月三十日抵押的土地使用權的賬面淨值約為人民幣4,647,000元(二零零七年十二月三十一日：人民幣4,704,000元)；
 - (ii) 本集團於二零零八年六月三十日抵押的物業、廠房及設備的賬面淨值約為人民幣219,588,000元(二零零七年十二月三十一日：人民幣46,007,000元)；
 - (iii) 本集團於二零零八年六月三十日抵押的現金及現金等值物約為人民幣23,201,000元(二零零七年十二月三十一日：零)。
- (b) 其他銀行借貸以若干附屬公司提供的交叉公司擔保(於二零零八年六月三十日的總額為人民幣158,218,000元(二零零七年十二月三十一日：人民幣195,000,000元))作抵押。
- (c) 此外，本公司主席兼執行董事洪天祝先生已承諾，除非得提供於二零零八年六月三十日總額為人民幣50,218,000元的無抵押非即期銀行借貸(二零零七年十二月三十一日：人民幣60,199,000元)的有關銀行同意，否則最少維持持有本公司股本權益30%。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

9. **BORROWINGS** (Continued)

- (d) Notes payable represents US\$25 million guaranteed notes, maturing in 2012. The notes payable bears interest at 6.8% as at 30 June 2008 (31 December 2007: 6.8%) and at floating rate with reference to Deutsche Bank Municipal Forward Rate Bias Index till maturity.

9. **借貸(續)**

- (d) 應付債券款項指於二零一二年到期的25,000,000美元的擔保票據。應付債券款項於二零零八年六月三十日之利息乃按6.8%計算(二零零七年十二月三十一日:6.8%)，往後至到期日之利息，則參考德意志銀行的美國市政債券遠期利率偏差指數的浮息計息。

10. **DERIVATIVE FINANCIAL LIABILITY**

Floating to fixed cross
currency swap

浮動至固定之利率
及貨幣掉期

Beginning of the period
Fair value loss (Note 13)

期初
公平值虧損(附註13)

End of the period

期末

The notional principal amount of the floating to fixed cross currency swap at 30 June 2008 was US\$16,800,000.

As at 30 June 2008, the fixed interest rate was 3.98%. The main floating rate was LIBOR.

10. **衍生金融負債**

30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元
14,560	—

Six months ended 30 June 截至六月三十日止六個月	
2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
—	—
14,560	—
14,560	—

於二零零八年六月三十日，浮動至固定之利率及貨幣掉期的名義本金額為16,800,000美元。

於二零零八年六月三十日，固定利率為3.98%，主要的浮動利率為LIBOR。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

11. SHARE CAPITAL

11. 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	HK\$'000
		千股	千港元
<i>Authorised:</i>	法定：		
At 31 December 2007 and 30 June 2008	於二零零七年 十二月三十一日 及二零零八年 六月三十日	4,000,000	400,000
<i>Issued and fully paid:</i>	已發行及繳足：		
At 31 December 2007	於二零零七年 十二月三十一日	883,855	88,386
Issue of shares upon exercise of share options	行使購股權後 發行股份	826	83
At 30 June 2008	於二零零八年 六月三十日	884,681	88,469

12. 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.

12. 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。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

12. SHARE OPTIONS (Continued)

(i) Pre-IPO Share Option Scheme (Continued)

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 expected share prices over the year after the Group's initial public offering.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

12. 購股權(續)

(i) 首次公開發售前購股權計劃(續)

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、預期股價回報標準差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年內的預期股價分析計算。

尚未行使購股權數目及其相應加權平均行使價的變動如下：

		Six months ended 30 June 截至六月三十日止六個月			
		2008 二零零八年		2007 二零零七年	
		Average exercise price in HK dollar per share 平均行使價 (每股港元)	Options (thousands) 購股權 (千份)	Average exercise price in HK dollar per share 平均行使價 (每股港元)	Options (thousands) 購股權 (千份)
Beginning of period	期初	0.69	3,142	0.69	4,342
Exercised	已行使	0.69	(826)	-	-
Expired	到期	0.69	(2,316)	-	-
End of period	期末	-	-	0.69	4,342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

12. 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 options 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; (iii) the nominal value of a share. A nominal consideration of HK\$1 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 issued from time to time. As at 30 June 2008, no options has been granted or outstanding under the Share Option Scheme (31 December 2007: Nil).

12. 購股權(續)

(ii) 首次公開發售後購股權計劃

根據本公司於二零零四年十一月二十一日通過之股東決議案，本公司已獲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%。於二零零八年六月三十日，概無購股權根據購股權計劃授出或尚未行使(二零零七年十二月三十一日：無)。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

13. REVENUE AND SEGMENTAL INFORMATION

(i) Sales, other income and other gains/
(losses) – net

13. 收益及分類資料

(i) 營業額、其他收入及其他
收益／(虧損) – 淨額

		Six months ended 30 June 截至六月三十日止六個月	
		2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 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)	1,824,086	1,440,209
Other income	其他收入		
Subsidy income	補貼收入	43,157	11,944
Return of income tax relating to re-investment	有關再投資之 所得稅退稅	764	–
		43,921	11,944
Other gains/(losses) – net	其他收益／(虧損) – 淨額		
Derivative financial liabilities at fair value through profit or loss:	按公平值計入 損益之衍生 金融負債：		
Fair value loss (Note 10)	公平值虧損 (附註10)	(14,560)	–
Net foreign exchange gain/(loss)	匯兌收益／ (虧損)淨額	14,650	(4,369)
Others	其他	366	1,505
		456	(2,864)
Total revenue	收益總額	1,868,463	1,449,289

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

13. REVENUE AND SEGMENTAL INFORMATION (Continued)

(ii) Segmental information

(a) Primary reporting – business segments

As at 30 June 2008, the Group operated in one business segment – manufacturing and sale of yarn, grey fabrics and dyed fabrics. Accordingly, no analysis of the business segment information is presented.

(b) Secondary reporting format – geographical segments

The Group mainly operates in two main geographical areas, Mainland China and Vietnam.

13. 收益及分類資料(續)

(ii) 分類資料

(a) 主要報告形式 – 業務分類

於二零零八年六月三十日，本集團經營為單一業務分類 – 製造及銷售紗線、坯布及染色布料。因此，本集團並無呈列業務分類資料分析。

(b) 次要報告形式 – 地域分類

本集團主要在中國大陸及越南兩個地域經營。

Six months ended 30 June 截至六月三十日止六個月

		2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
Sales	銷售額		
Mainland China	中國大陸	1,735,694	1,436,901
Vietnam	越南	214,090	–
Other countries	其他國家	252,822	56,948
		2,202,606	1,493,849
Inter-segment sales	地域之間銷售	(378,520)	(53,640)
		1,824,086	1,440,209

Sales is allocated based on the country where the sales is derived.

銷售額乃根據產生銷售收入之國家而分配。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

13. REVENUE AND SEGMENTAL INFORMATION
(Continued)

- (ii) Segmental information (Continued)
(b) Secondary reporting format –
geographical segments (Continued)

Segment results	分類業績
Mainland China	中國大陸
Vietnam	越南
Other countries	其他國家
Unallocated income less expense	未經分配收入 減開支
Operating profit	經營溢利

Segment results is allocated based on where the operating profits arise.

Total assets	總資產值
Mainland China	中國大陸
Vietnam	越南
Other countries	其他國家
Unallocated assets	未經分配資產
Associated company	聯營公司

Total assets are allocated based on where the assets are located.

13. 收益及分類資料(續)

- (ii) 分類資料(續)
(b) 次要報告形式－地域
分類(續)

Six months ended 30 June

截至六月三十日止六個月

2008	2007
二零零八年	二零零七年
RMB'000	RMB'000
人民幣千元	人民幣千元
138,164	118,913
7,560	(575)
(3,949)	(5,111)
(7,220)	(5,707)
134,555	107,520

分類業績乃根據產生經營溢利之地方而分配。

30 June	31 December
2008	2007
於二零零八年	於二零零七年
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
2,206,199	2,082,873
738,563	459,927
109,550	27,369
63,032	31,162
50,056	43,799
3,167,400	2,645,130

總資產值乃根據資產所在之地方而分配。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

13. REVENUE AND SEGMENTAL INFORMATION (Continued)

- (ii) Segmental information (Continued)
(b) Secondary reporting format –
geographical segments (Continued)

Capital expenditure	資本開支
Mainland China	中國大陸
Vietnam	越南

Capital expenditure is allocated based on where the assets are located.

14. 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	公共設施
Auditor's remuneration	核數師酬金

13. 收益及分類資料(續)

- (ii) 分類資料(續)
(b) 次要報告形式 – 地域
分類(續)

Six months ended 30 June 截至六月三十日止六個月

2008	2007
二零零八年	二零零七年
RMB'000	RMB'000
人民幣千元	人民幣千元
111,772	106,447
230,996	142,258
342,768	248,705

資本開支乃根據資產所在之地方而分配。

14. 開支(按性質分類)

包括銷售成本、銷售及分銷開支以及一般及行政開支分析如下：

Six months ended 30 June 截至六月三十日止六個月

2008	2007
二零零八年	二零零七年
RMB'000	RMB'000
人民幣千元	人民幣千元
1,304,173	1,035,247
159,825	130,940
46,605	35,824
34,503	20,232
100,894	85,774
1,500	1,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

15. FINANCE INCOME AND COSTS

15. 財務收入及開支

		Six months ended 30 June 截至六月三十日止六個月	
		2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
Finance costs	財務開支		
Interest on borrowings wholly repayable within five years	須於五年內悉數償還的借貸利息	(36,629)	(23,061)
Less: amount capitalised in property, plant and equipment	減：物業、廠房及設備資本化金額	1,563	-
		(35,066)	(23,061)
Finance income	財務收入		
Exchange gain on financing activities	融資活動所得匯兌收益	36,001	9,708
Interest income on short-term bank deposits	短期銀行存款利息收入	684	660
		36,685	10,368
Net finance income/(costs)	財務收入／(開支)淨額	1,619	(12,693)

16. INCOME TAX EXPENSE

16. 所得稅開支

		Six months ended 30 June 截至六月三十日止六個月	
		2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
Current income tax	即期所得稅		
Mainland China enterprise income tax ("EIT")	中國大陸企業所得稅 (「企業所得稅」)	14,721	14,428
Deferred income tax	遞延所得稅	1,800	477
		16,521	14,905

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

16. INCOME TAX EXPENSE (Continued)

- (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 2008 (For the six months ended 30 June 2007: Nil).
- (ii) **Mainland China enterprise income tax**
The subsidiaries established in Mainland China are subject to EIT at rates ranging from 18% to 25% during the period.

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.

Texhong (China) Investment Co., Ltd., being an investment holding company incorporated in Mainland China, is subject to Mainland China enterprise income tax rate of 18% for the six months ended 30 June 2008 (For the six months ended 30 June 2007: 15%).

16. 所得稅開支(續)

- (i) **香港利得稅**
由於本集團於截至二零零八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(截至二零零七年六月三十日止六個月：零)。
- (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18%至25%繳納企業所得稅。

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。

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，須於截至二零零八年六月三十日止六個月按稅率18%繳納中國大陸企業所得稅(截至二零零七年六月三十日止六個月：15%)。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

16. INCOME TAX EXPENSE (Continued)

(ii) Mainland China enterprise income tax (Continued)

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law") on 16 March 2007 and the State Council has announced the Detail Implementation Regulations ("DIR") on 6 December 2007, which has been effective from 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced CIT rate at 15%, will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

16. 所得稅開支(續)

(ii) 中國大陸企業所得稅(續)

於二零零七年三月十六日，全國人民代表大會通過中華人民共和國企業所得稅法(「新企業所得稅法」)而國務院亦於二零零七年十二月六日頒佈條例實施細則(「條例實施細則」)，並已於二零零八年一月一日起生效。根據新企業所得稅法，內地及外資企業的所得稅率自二零零八年一月一日起劃一為25%。然而，就於新企業所得稅法頒佈前設立並享有相關稅務機關授予減免企業所得稅稅率優惠待遇的企業而言，新企業所得稅率可能自新企業所得稅法生效之後5年內逐漸增至25%。根據載於條例實施細則及相關通告的守則，享有企業所得稅率減免(稅率為15%)的地區，企業所得稅率將分別於二零零八年、二零零九年、二零一零年、二零一一年及二零一二年逐漸增加至18%、20%、22%、24%及25%。目前有權於一段固定期間獲得標準所得稅率豁免或減免的企業，可繼續享有該項待遇，直至該段固定期限屆滿為止。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

16. INCOME TAX EXPENSE (Continued)

(iii) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of 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. No provision for Macao profits tax has been made as the Group had no assessable profit arising in or derived from Macao during the six months ended 30 June 2008 (For the six months ended 30 June 2007: Nil). The Company's subsidiary established in Vietnam enjoys the tax holiday for entitlement of exemption from EIT in 2008, therefore it is not subject to Vietnam income tax during the six months ended 30 June 2008 (For the six months ended 30 June 2007: Nil).

17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB118,170,000 (2007: RMB79,922,000).

The basic earnings per share is based on the weighted average number of 884,176,000 (2007: 872,000,000) ordinary shares in issue during the period.

16. 所得稅開支(續)

(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其時生效的英屬處女群島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。由於本集團於截至二零零八年六月三十日止六個月並無在澳門產生任何應課稅溢利，故並無就澳門利得稅作出撥備。(截至二零零七年六月三十日止六個月：零)。本公司於越南成立的附屬公司於二零零八年獲准免繳企業所得稅，因此於截至二零零八年六月三十日止六個月毋須繳納越南所得稅(截至二零零七年六月三十日止六個月：零)。

17. 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118,170,000元(二零零七年：人民幣79,922,000元)計算。

每股基本盈利乃按期內已發行普通股加權平均數884,176,000股(二零零七年：872,000,000股)計算。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

17. EARNINGS PER SHARE (Continued)

The diluted earnings per share is calculated on the basis of 884,980,000 ordinary shares had been in issue throughout the period, taking into account the weighted average number of 884,176,000 (2007: 872,000,000) ordinary shares in issue and 804,000 (2007: 2,295,000) ordinary shares to be issued assuming conversion of all outstanding share options. For the share options, a calculation is made in order 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.

18. DIVIDENDS

The directors do not recommend the payment of interim dividends for the six months ended 30 June 2008 (For the six months ended 30 June 2007: Nil).

19. CONTINGENCIES

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

17. 每股盈利(續)

每股攤薄盈利乃按於整個期間已發行的884,980,000股普通股(計及已發行普通股884,176,000股(二零零七年: 872,000,000股)的加權平均數及將予發行普通股804,000股(二零零七年: 2,295,000股))的基準及假設已全面兌換尚未行使購股權而計算。就購股權而言,須根據未行使購股權所附認購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設全面行使購股權而發行的股份數目作出比較。

18. 股息

董事並不建議就截至二零零八年六月三十日止六個月支付中期股息(截至二零零七年六月三十日止六個月:零)。

19. 或然事項

	As at 於	31 December 2007
30 June 2008		
二零零八年 六月三十日		二零零七年 十二月三十一日
RMB'000		RMB'000
人民幣千元		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

19. CONTINGENCIES (Continued)

During the year ended 31 December 2002, Taizhou Century Texhong Textile Co., Ltd., a wholly owned subsidiary, 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 was 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.

19. 或然事項(續)

於截至二零零二年十二月三十一日止年度，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

20. COMMITMENTS

(a) Capital commitments

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

Property, plant and equipment	物業、廠房及設備
Contracted but not provided for	已訂約但未撥備
Authorised but not contracted for	已授權但未訂約

(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.

20. 承擔

(a) 資本承擔

於結算日的資本開支(但未產生)為如下:

As at 於	
30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元
211,081	220,514
-	39,605
211,081	260,119

(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。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

20. COMMITMENTS (Continued)

(b) Operating leases commitments (Continued)

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

Not later than one year	一年內
Later than one year and not later than five years	一年後至五年內
Later than 5 years	五年後

20. 承擔(續)

(b) 經營租賃承擔(續)

根據不可撤銷經營租賃之未來最低租賃款項總額如下：

	As at 於	
30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元	
3,922	7,954	
13,402	14,387	
68,578	77,150	
85,902	99,491	

21. RELATED-PARTY TRANSACTIONS

New Green Group Limited (incorporated in the British Virgin Islands) owns 44.7% of the Company's shares. Mr. Hong Tianzhu is the principal shareholder of New Green Group Limited, and has a beneficial shareholding of 54.7% in the Company through his own capacity, New Green Group Limited and another company. Mr. Zhu Yongxiang has a beneficial shareholding of 17.6% in the Company. The remaining shares are widely held.

21. 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44.7%。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54.7%股權。朱永祥先生實益擁有本公司的17.6%股權。餘下的股份廣泛分佈於不同人士。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

21. RELATED-PARTY TRANSACTIONS (Continued)

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
關聯方姓名／名稱

Hong Tianzhu
洪天祝

New Green Group Limited

Hong Kong Tin Hong Industrial Limited
香港天虹實業有限公司

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

21. 與關聯方的交易(續)

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 Tianzhu, a director
由董事洪天祝控制

Controlled by Hongkong Tinhong Industrial Co., Ltd., 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

Associated company of Texhong Textile Nantong Investment Limited, a subsidiary of the Company
本公司附屬公司天虹紡織南通投資有限公司的聯營公司

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION 簡明綜合財務資料附註

21. RELATED-PARTY TRANSACTIONS (Continued)

The Group had the following significant transactions with its related parties, as follows:

(a) Sales/purchase of goods

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
– Sales of goods	– 銷售貨品
Tianhong Printing and Dyeing (Wuxi) Co., Ltd.	天虹印染(無錫)有限公司
– Purchase of goods	– 購買貨品
– Sales of goods	– 銷售貨品

21. 與關聯方的交易(續)

本集團與其關聯方進行下列重大交易如下：

(a) 銷售／購買貨品

Six months ended 30 June 截至六月三十日止六個月

2008 二零零八年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
6,589	529
13,065	33
–	622
–	24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
簡明綜合財務資料附註

21. RELATED-PARTY TRANSACTIONS

(Continued)

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

21. 與關聯方的交易(續)

(b) 銷售／購買貨品產生之期末結餘

		As at 於	
		30 June 2008 二零零八年 六月三十日 RMB'000 人民幣千元	31 December 2007 二零零七年 十二月三十一日 RMB'000 人民幣千元
Receivables from related parties	應收關聯方之款項		
Tianhong Printing and Dyeing (Wuxi) Co., Ltd	天虹印染(無錫)有限公司	—	3,967
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司		
		3,020	518
		3,020	4,485
Trade payables to a related party	應付關聯方貿易款項		
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司		
		123	1,366
Deposits from related parties	來自關聯方之訂金		
Nantong Textile Group Co., Ltd.	南通紡織控股集團紡織染有限公司		
		405	—

These balances with related parties are unsecured, non-interest bearing, and are repayable with 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

21. RELATED-PARTY TRANSACTIONS

(Continued)

(c) 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

21. 與關聯方的交易(續)

(c) 主要管理層薪酬

Six months ended 30 June

截至六月三十日止六個月

2008	2007
二零零八年	二零零七年
RMB'000	RMB'000
人民幣千元	人民幣千元
1,858	2,452
460	456
22	106
2,340	3,014

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

OVERVIEW

We are pleased to report to the shareholders the results of the Group for the six months ended 30 June 2008. During the period under review, the Group's turnover increased by 26.7% from corresponding period last year to RMB1,824,086,000. Profit attributable to shareholders increased by 47.9% from corresponding period last year to RMB118,170,000. Earnings per share for the half year were RMB0.134, increased by 45.7% compared to RMB0.092 for the corresponding period last year.

INDUSTRY REVIEW

The first half of 2008 is a challenging time for China textile industry. According to the statistics of the Statistics Centre of China National Textile And Apparel Council, sales revenue for the largest enterprises in China from January to May 2008 was RMB442.11 billion, representing 17.7% increase compared with the corresponding period last year. The industry average net profit ratio during the same period was 3.4%, representing a decrease of 0.08% compared with the corresponding period last year. The export sales rose 7.86% to 27.10 billion US dollars from January to May 2008, but the growth rate was 17.49% less than the same period last year. Investments in large projects (RMB5 million or more) for the textile industry totaled RMB27.6 billion from January to May 2008, which was 1.32% less than that for the same period last year with the growth rate being 17.47% lower than the whole last year. The above figures revealed the industry was suffering from slower growth rate in term of investment and export sales.

綜覽

我們欣然向股東報告截至二零零八年六月三十日止六個月本集團之業績。在回顧期內，本集團之營業額較去年同期上升26.7%至人民幣1,824,086,000元。股東應佔溢利較去年同期上升47.9%至人民幣118,170,000元。半年度之每股盈利為人民幣0.134元，上升45.7%，去年同期則為人民幣0.092元。

行業回顧

中國紡織業在二零零八年上半年面對重重挑戰。根據中國紡織工業協會統計中心的統計，全國最大規模的紡織企業由二零零八年一月至五月之銷售收益為人民幣4,421.1億元，較去年同期上升17.7%。業界於同期的平均純利率為3.4%，較去年同期下跌0.08%。二零零八年一月至五月期間之出口銷售上升7.86%至271億美元，但增長率較去年同期低17.49%。紡織業之大型項目（人民幣5,000,000元或以上）之投資，於二零零八年一月至五月合共為人民幣276億元，較去年同期下跌1.32%，增長率較去年整年低17.47%。上述數據顯示業界受投資以及出口銷售增長放緩所影響。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

INDUSTRY REVIEW (Continued)

During the first half year of 2008, China textile industry has been plagued by several factors such as the continuing appreciation of RMB, the rising price of cotton, the increasing cost of labour in China due to the new labour law going into effect from 1 January, 2008, the rising domestic financing cost of RMB, and the recession in US and EU due to the sub-prime crisis causing the drop of export orders. It is expected that the increase in market competition will inevitably result in more small scale manufacturers to close down in the coming future, thus speeding up the reshuffling and consolidation of the industry.

BUSINESS REVIEW

Amid the unfavourable market environment, the Group still achieved a steady growth of operating results due to the increased tremendous efforts of the management and supervision, the hard work of our managers, our staffs and the addition of capacities of our Vietnam project.

行業回顧(續)

二零零八年上半年，中國紡織業因多個因素而罩上陰霾，該等因素包括人民幣持續升值、棉花價格不斷上升、新勞動法於二零零八年一月一日生效後令中國勞工成本持續上升、人民幣之國內融資成本不斷增加以及美國及歐盟因次按危機出現衰退而令出口訂單減少等。預期市場競爭加劇將無可避免地令更多較小型製造商於短期內結業，從而加快行業重組及整固。

業務回顧

本集團憑藉其在管理及監管方面加倍付出之努力、經理及員工孜孜不倦的工作以及在越南項目所增加的產能，故縱使在不利的市場環境下，經營業績仍能取得穩定增長。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

For the six months ended 30 June, 2008, the Group achieved a turnover of RMB1,824,086,000, representing an increase in revenue of 26.7% compared with the same period last year. The turnover comprises the sales of yarn, grey fabrics and garment fabrics. Yarn continued to be the Group's top selling product and sales volume increased by 39.1% to 58,442 tons, while that of grey fabrics slightly decreased by 6.1% to 47.4 million meters, compared with the same period last year. We continue to gain market share and customer base of yarn, particularly the high value-added core-spun yarn products. 70,000 spindles of the Phase I of the Vietnam expansion plan has started commercial production in October 2007, and have contributed RMB214.1 million sales volume of yarn to the Group during the first half of 2008. On average, those 70,000 spindles can produce about 24,000 tones of yarn, or RMB370 million sales annually. During the period, we have relocated and rearranged one of our factories in Xuzhou, such that the number of spindles for yarns was increased while the number of shuttleless looms for grey fabrics was decreased. As a result of such relocation and rearrangement, the sales volumes of yarns and grey fabrics increased and decreased respectively during the first half year.

The overall gross margin of the Group's products dropped by 1.5 to 12.3% compared to 13.8% for the corresponding period last year. The drop in the gross margin was partly due to decrease in average selling price of yarn and grey fabrics as a results of the appreciation of RMB, affecting our downstream customers, and partly due to increase of cost of production as a result of the increase in the cost of cotton, energy and labour. However, once the whole 210,000 spindles of Phase I and Phase II Vietnam production facilities are put into operations, it is expected that the Group's average manufacturing cost could be gradually lowered and the overall margin will likely be improved in the future.

業務回顧(續)

截至二零零八年六月三十日止六個月，本集團之營業額為人民幣1,824,086,000元，收益較去年同期上升26.7%。營業額包括銷售紗線、坯布及成衣紡織品。與去年同期比較，紗線仍高踞本集團產品銷售的首位，銷量增加39.1%至58,442噸，而坯布稍為減少6.1%至47,400,000米。本公司繼續擴大紗線的市場佔有率以及客戶基礎，特別是高增值棉包芯紗線產品。越南擴充計劃第一期的70,000個紗錠已於二零零七年十月開始投產，於二零零八年上半年期間為本集團紗線的銷售帶來人民幣214,100,000元之貢獻。平均而言，該70,000個紗錠可每年生產約24,000噸紗線，或帶來人民幣370,000,000元之銷售額。期內，本集團已順利對我們設於徐州的其中一間廠房進行搬遷及重新安排生產線，當中的紗錠數目有所增加，而坯布無梭織機的數目則減少，由於此搬遷及重新安排，紗線及坯布的銷量於上半年分別增加及減少。

本集團產品之整體邊際利潤由去年同期之13.8%下跌1.5%至12.3%。毛利率下跌部份原因是人民幣升值影響到下游客戶，令紗線及坯布之平均售價下跌，而部份原因則是棉花、能源及勞工成本上升，令生產成本上升。然而，若越南第一及二期生產設施之210,000個紗錠全面投產後，預期本集團的平均製造成本可逐步降低，因而在可見將來本集團產品的整體利潤率將會更好。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

The Group has further strengthened the strategic cooperation with Dow Chemical and Lenzing Fibers (Shanghai) Co., Ltd. During the first half of 2008, the Group has applied the olefin-based XLA™ fiber technology invented by Dow Chemical and the cellulose-based Tencel® fiber technology invented by Lenzing Fibers to the making of different non-spandex core-spun elastic yarns for high graded denim which poses different new features to the jeanswear. These products have received overwhelming market response and success, and have helped our Group to gain more international prestigious customers. It is believed that by exploring and penetrating different high-ended textile markets, we will continuously be a leading high value-added core-spun cotton textile manufacturer.

The Group has always been committed to be a corporation with a strong sense of social responsibility. We have contributed some of our resources to help those Chinese citizens affected by the 12 May earthquake that occurred in the Sichuan Province. We donated RMB4.18 million (cash and bedding) to aid those families made homeless by the earthquake. The Group has also been actively assisting those employees whose families have been affected by the earthquake.

業務回顧(續)

本集團已進一步加強與陶氏化學及蘭精纖維(上海)有限公司的戰略性合作。於二零零八年上半年,本集團已採用由陶氏化學發明的olefin-based XLA™纖維技術及由蘭精纖維發明的cellulose-based Tencel®纖維技術製造高級牛仔布用的各種非氨綸棉包芯彈性紗線,高級牛仔布為牛仔服裝帶來不同的新特色。該等產品已獲得熱烈的市場反應及佳績,並已令本集團取得更多國際知名客戶。相信透過尋找及滲透入不同的高端紡織市場,我們將繼續成為領先的高附加值棉包芯紡織製造商。

本集團一向致力成為具社會責任的公司,並已投放部份資源協助受五月十二日四川地震影響的中國公民。本公司已捐出人民幣4,180,000元(現金及床被)以協助因地震而無家可歸的災民。本集團亦已積極協助其家人受地震影響的僱員。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FUTURE OUTLOOK

Looking ahead, we will strive to keep our strategy to increase our market share both domestically and internationally. Our Group has been awarded on 15 July 2008 by the China National Textile & Apparel Council to be one of the top ten most competitive cotton textile manufacturers in China (ranks the sixth in terms of turnover, up from the eighth last year) for the 2007/2008 period. Our client base has been increased from about 1,800 customers at the end of last year to above 2,000 customers as at 30 June 2008. We expect that the Group's current growth trend on sales of core-spun textile products will sustain in the second half of 2008.

Our strategy to concentrate on the upstream high value-added core spun textile business segment proves to be effective. While lots of downstream textile business segments such as clothing and dyeing export manufacturers are facing difficulties during the recent plight, we can still maintain a decent operating result of the first half of 2008. Strong demand of our products is foreseen. We will continue to devote our resources to the research and development centre set up in Changzhou last year to improve our 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.

前景

展望未來，本公司將繼續奉行增加本地及國際市場佔有率之策略。本集團於二零零八年七月十五日獲中國紡織工業協會評定為二零零七／二零零八年期間中國十大最具競爭力棉紡織品製造商（以營業額計算排名第六位，去年為第八位）。我們的客戶基礎由去年年底約1,800名增加至於二零零八年六月三十日的2,000名以上。本公司預期本集團棉包芯紡織產品現時的銷售額增長趨勢，將於二零零八年下半年持續。

本公司專注於上游高增值棉包芯線紡織業務的策略已彰顯成效。雖然不少下游紡織業務範疇（例如成衣及漂染產品出口製造商）在最近的困境中面對重重困難，本公司仍能於二零零八年上半年維持驕人業績。本公司預期產品的需求強勁，並將繼續投放資源於去年在常州成立之研發中心，以透過推出更多嶄新棉包芯紡織品（如金屬絲、滌綸、錦綸及丙綸的棉包芯紗線及紡織品）以改善產品結構，從而加強競爭實力以及提升本集團產品之整體邊際利潤。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FUTURE OUTLOOK (Continued)

In order to cope with the increasing cost of production and the restrictive cotton import quota of China, we have stepped out to establish our Vietnam production plant since 2006. Our Phase I production lines of the Vietnam yarn production plant has been put into commercial operation in October 2007. Starting from April this year, the 70,000 spindles of Phase I have been continuously contributing profit to our Group. 140,000 spindles of the Phase II production lines will be put into trial run operation in the second half of this year, and targeted to have full commercial production starting from the beginning of next year. As the production cost, particularly the cost of labour and electricity, in Vietnam is much lower than that of China, we expect our Vietnam plant will further improve our overall average cost in future. Recently, Vietnam currency has been depreciated from USD/VND 16,010 to USD/VND 16,842 during the first half of 2008. The inflation rate was recorded to be 26.8% in June 2008. Nonetheless, the effect to our Vietnam production plant was minimal. All of our cotton materials for Vietnam plant are imported to Vietnam and we make payment by USD. Nearly 95% of our products from our Vietnam plant are exported and we received payment by USD. Both of our import and export bypass the movement of VND. In fact, we have been benefiting from the recent depreciation of Vietnam currency as the local cost such as labour and energy cost are paid by the depreciated VND which have been exchanged to a lesser amount of USD. Only 5% of our products manufactured in Vietnam are sold domestically. We will form a sales and marketing team in Vietnam for further exploring the market opportunities in Vietnam and other ASEAN countries.

前景(續)

為應付不斷上升之生產成本以及中國限制性的棉花進口配額，本公司跨步向前，於二零零六年成立越南生產廠房。越南紗線生產廠房的第一期生產線已於去年十月投產。由本年四月起，第一期的70,000個紗錠生產線已持續為本集團帶來盈利。第二期的140,000個紗錠生產線將於本年度下半年開始試產，並預期於明年年初起開始全面投產。至於生產成本方面，特別是勞工及電力成本，越南遠低於中國，而本公司預期越南廠房日後將進一步降低本公司之整體平均成本。最近，越南貨幣在二零零八年上半年出現貶值，由1美元兌16,010越南盾貶值至1美元兌16,842越南盾。二零零八年六月的通脹率為26.8%。然而，貨幣貶值及通脹對越南生產廠房的影響輕微。越南廠房所有棉原料均由外國進口，而本公司則以美元付款。本公司越南廠房幾乎95%的產品均出口，而本公司則收取美元付款。本公司之出口及進口均繞過越南盾波動之影響。事實上，本公司一直受惠於近期越南貨幣貶值的影響，原因是當地成本(例如勞工及能源成本)以越南盾支付，而越南盾貶值可讓本公司以較少之美元兌換等額之越南盾。我們於越南生產的產品只有5%之產品內銷。本公司將在越南成立一隊銷售及市場推廣隊伍，進一步開拓越南及其他東盟國家的市場。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FUTURE OUTLOOK (Continued)

Starting from 1 August, 2008, the export VAT refund rate on garments has been raised by 2% to 13%. This has partly relieved the margin pressure of the whole garment export sector. Our exports of yarn and grey fabrics, as well as our downstream garment export customers, will directly enjoy the VAT refund. Furthermore, all the quota restrictions on China's textile products imposed by EU and US have been and will be removed on 1 January 2008 and 1 January 2009 respectively. Although EU and US may adopt other trade restrictions on the export of China's textile and garment products such as technical trade barriers, it should be a new opportunity to those well prepared manufacturers to explore export business.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2008, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB264.5 million (As at 31 December 2007: RMB210.4 million).

As a result of business expansion in the period under review, the Group's inventories and trade and bills receivables increased by RMB21.0 million and RMB177.6 million to RMB672.9 million and RMB542.4 million respectively (As at 31 December 2007: RMB651.9 million and RMB364.8 million). The inventory turnover days and trade receivable turnover days are 75 days and 45 days respectively, compared to 71 days and 33 days respectively as at 31 December 2007.

As at 30 June 2008, the Group's bills receivable amounted to RMB406.2 million (As at 31 December 2007: RMB237.4 million). The bills receivable is in the form of bank acceptance drafts, which the banks assume full responsibility for ultimate payment to the Group. The drafts are endorsable, transferable or discountable, and offer a very high liquidity to the Group.

前景(續)

成衣出口增值稅退稅率由二零零八年八月一日起調升2%至13%，抵銷整體成衣出口業的部份邊際利潤壓力。本公司的紗線及坯布出口以及下游成衣出口客戶將直接享有增值稅退稅。此外，歐盟及美國對中國紡織品的所有配額限制，分別已於二零零八年一月一日及將於二零零九年一月一日撤銷。雖然歐盟及美國可能對中國紡織及成衣產品出口施加其他貿易限制，例如技術貿易壁壘等，但對該等已準備開拓出口業務之製造商而言，此仍是新的機會。

財務回顧

流動資金及財務資源

於二零零八年六月三十日，本集團之銀行及現金結餘(包括已抵押銀行存款)為人民幣264,500,000元(於二零零七年十二月三十一日：人民幣210,400,000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21,000,000元及人民幣177,600,000元至人民幣672,900,000元及人民幣542,400,000元(於二零零七年十二月三十一日：人民幣651,900,000元及人民幣364,800,000元)。存貨周轉日數及應收貿易款項周轉日數分別為75日及45日，於二零零七年十二月三十一日分別為71日和33日。

於二零零八年六月三十日，本集團之應收票據款項為人民幣406,200,000元(二零零七年十二月三十一日：人民幣237,431,000元)。有關之應收票據乃屬於銀行承兌匯票，銀行有責任在匯票到期時承兌予本集團。有關之票據可以隨時背書予第三方，轉讓或貼現，並提供相當高的流動性予本集團。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW (Continued)

Liquidity and financial resources (Continued)

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 RMB250.2 million to RMB1,178.0 million (As at 31 December 2007: RMB927.8 million).

As at 30 June 2008, the Group's financial ratios were as follows:

財務回顧(續)

流動資金及財務資源(續)

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250,200,000元至人民幣1,178,000,000元(於二零零七年十二月三十一日：人民幣927,800,000元)。

於二零零八年六月三十日，本集團之財務比率如下：

		30 June 2008 二零零八年 六月三十日	31 December 2007 二零零七年 十二月三十一日
Current ratio	流動比率	1.39	1.53
Debt to equity ratio ¹	負債權益比率 ¹	1.08	0.86
Net debt to equity ratio ²	負債淨額權益比率 ²	0.84	0.67

¹ Based on total borrowings over total equity

¹ 總借貸除總權益

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

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

FOREIGN EXCHANGE RISK

The Group mainly operates in the Mainland China and Vietnam. Most of the Group's transactions, assets and liabilities are dominated in RMB, USD and Vietnam Dong. Foreign exchange risk also arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures. The Group's exposure to foreign exchange risk is mainly attributable to its bank borrowings denominated in USD. In order to mitigate interest rate risk and foreign exchange risk for repayment of US\$21 million syndication loan, the Group has entered into an interest rate cross currency swap with ABN AMRO. Except for this, the Group did not involve in any other hedging activities during the period under review.

CAPITAL EXPENDITURE

For the six months ended 30 June 2008, the capital expenditure of the Group amounted to approximately RMB342.8 million (For the six months ended 30 June 2007: RMB248.7 million). It represents additions to land use rights and property, plant and equipment for new production plant in Vietnam and China.

PLEDGE OF ASSETS

As at 30 June 2008, the Group's cash and cash equivalents, land use rights and buildings and machinery and equipment with an aggregated net book amount of approximately RMB247.4 million were pledged to secure general banking facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had contingent liabilities of RMB21.9 million (as at 31 December 2007: 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.

外匯風險

本集團主要在中國內地及越南營運。本集團大部份交易、資產及負債以人民幣、美元、越南盾計值。外匯風險為來自於未來海外營運中的商業貿易，已確認資產及負債及投資淨額。本集團進行定期檢討及監察其外匯風險程度以管理其外匯風險。本集團所面對的外匯風險主要來自其以美元計值的銀行借貸。為減低有關償還21,000,000美元銀團貸款的利率及外匯風險，本集團與荷蘭銀行訂立了利率及貨幣掉期合約。除此，本集團於回顧期內並無涉及任何其他對沖活動。

資本開支

於截至二零零八年六月三十日止六個月，本集團之資本開支約為人民幣342,800,000元（截至二零零七年六月三十日止六個月：人民幣248,700,000元），包括就越南及中國新廠房添置土地使用權及物業、廠房及設備。

資產抵押

於二零零八年六月三十日，本集團共有總賬面淨值約為人民幣247,400,000元之現金及現金等價物、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

於二零零八年六月三十日，本集團的或然負債為人民幣21,900,000元（於二零零七年十二月三十一日：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

HUMAN RESOURCES

As at 30 June 2008, the Group had a total workforce of 13,592 representing a decrease of 9.1% compared with that of last year. (as at 31 December 2007: 14,952), of whom 12,343 were based in the regional headquarter in Shanghai and in our 11 manufacturing plants in mainland China. The remaining 1,249 were located in outside-mainland China region including Vietnam, Hong Kong and Macau. During the period, the sales were increased while the total number of staff decreased, representing an improvement of labour productivity. The Group will continuously optimize the workforce structure, and offer its staff competitive remuneration schemes. 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 2008, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (For the six months ended 30 June 2007: nil). 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.

人力資源

於二零零八年六月三十日，本集團員工合共13,592名，比去年底減少了9.1%（於二零零七年十二月三十一日：14,952名），其中12,343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1,249名駐於中國大陸以外地區（包括越南、香港及澳門）。期內銷售額增加而員工總數減少，讓本集團的人均生產力進一步提升。本集團仍會不斷優化及精簡人力資源，同時向其員工提供具競爭力的酬金計劃。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二零零八年下半年的營運資金需求，董事會建議不派發截至二零零八年六月三十日止六個月之中期股息（截至二零零七年六月三十日止六個月：零）。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。

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.

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 2008, 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:

購買、出售及贖回本公司之上市證券

於報告期內，本公司或其任何附屬公司並無購買、出售及贖回本公司任何上市證券。

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

於二零零八年六月三十日，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：

Number of shares held 持有股份數目

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 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	558,959,173 (L) (Note 2) (附註2)	63.18%
	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	251,716,000 (L) (Note 3) (附註3)	28.45%

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 558,959,173 Shares, as to 395,459,173 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 51.36% 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 251,716,000 Shares, as to 88,216,000 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關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558,959,173股股份中395,459,173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51.36%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251,716,000股股份中88,216,000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 2008, 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，於二零零八年六月三十日，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	395,459,173 (L) (Note 2) (附註2)	44.70%
Trade Partner Investments Limited	Beneficial owner 實益擁有人	163,500,000 (L) (Note 3) (附註3)	18.48%
Wisdom Grace Investments Limited	Beneficial owner 實益擁有人	88,216,000 (L) (Note 4) (附註4)	9.97%
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	395,459,173 (L) (Note 2) (附註2)	44.70%
Ms. Ke Luping 柯綠萍女士	Interest of spouse 配偶權益	563,359,173 (L) (Note 5) (附註5)	63.68%
Ms. Zhao Zhiyang 趙志揚女士	Interest of spouse 配偶權益	251,716,000 (L) (Note 6) (附註6)	28.45%
Mr. Cheah Cheng Hye 謝清海先生	Interest of controlled corporation(s) 所控制法人的權益	57,216,000 (L) (Note 7) (附註7)	6.47%
Value Partners Limited	Investment manager 投資經理	57,216,000 (L) (Note 7) (附註7)	6.47%

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 395,459,173 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 51.36% by Mr. Hong Tianzhu, 41.36% by Mr. Zhu Yongxiang, 2.24%, 1.68%, 1.68% and 1.68%, by Mr. Sha Tao, Mr. Tang Daoping, Mr. Gong Zhao and Mr. Hu Zhiping. 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 88,216,000 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 30 October 2007, these 57,216,000 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395,459,173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、沙陶先生、湯道平先生、龔照先生及胡志平先生分別實益擁有51.36%、41.36%、2.24%、1.68%、1.68%及1.68%)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88,216,000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於二零零七年十月三十日提交之權益披露報告表, 該57,216,000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 to 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 deviations:

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 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 2008.

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、朱蘭芬女士及程隆楝先生。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二零零八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

6 September 2008

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

二零零八年九月六日