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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2678)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 8.5% to RMB3,609 million
- Gross profit margin increased by 8.0 percentage points to 21.4%
- Net profit margin increased by 8.0 percentage points to 12.4%
- Profit attributable to equity holders tripled to RMB447 million
- Earnings per share for the half year tripled to RMB0.505
- The Board declared an interim dividend of 19 HK cents per share

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**3,608,698**	3,325,184
Cost of sales	*3*	**(2,837,939)**	(2,879,246)
Gross profit		**770,759**	445,938
Selling and distribution costs	*3*	**(98,935)**	(89,592)
General and administrative expenses	*3*	**(141,832)**	(110,926)
Other income		**1,830**	2,624
Other gains/(losses) — net		**11,620**	(10,795)
Operating profit		**543,442**	237,249
Finance income	*4*	**4,054**	6,367
Finance costs	*4*	**(47,056)**	(80,745)
Share of profit of an associate		**1,831**	1,888
Profit before income tax		**502,271**	164,759
Income tax expense	*5*	**(55,697)**	(19,852)
Profit for the period		**446,574**	144,907
Other comprehensive income		**–**	–
Total comprehensive income for the period		**446,574**	144,907
Total comprehensive income for the period attributable to:			
— Owners of the Company		**446,572**	145,083
— Non-controlling interests		**2**	(176)
		446,574	144,907
Earnings per share attributable to owners of the Company (expressed in RMB per share)	*6*		
Basic earnings per share		**0.505**	0.164
Diluted earnings per share		**0.505**	0.164
Dividends	*7*	**133,900**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2013** *RMB'000*	Audited 31 December 2012 *RMB'000*
ASSETS			
Non-current assets			
Freehold land and land use rights		**278,030**	265,470
Property, plant and equipment		**3,136,988**	2,228,930
Investment in an associate		**52,669**	50,838
Deferred income tax assets		**51,468**	56,805
Total non-current assets		**3,519,155**	2,602,043
Current assets			
Inventories	*8*	**2,149,634**	1,421,525
Trade and bills receivables	*9*	**590,575**	812,409
Prepayments, deposits and other receivables		**343,441**	236,763
Derivative financial instruments		**3,007**	–
Pledged bank deposits		**45,708**	21,989
Cash and cash equivalents		**957,555**	530,296
Total current assets		**4,089,920**	3,022,982
Total assets		**7,609,075**	5,625,025
EQUITY			
Equity attributable to owners of the Company			
Share capital		**94,064**	94,064
Other reserves		**630,970**	632,791
Retained profits		**2,087,742**	1,831,491
		2,812,776	2,558,346
Non-controlling interests		**(135)**	(137)
Total equity		**2,812,641**	2,558,209

	Note	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**2,684,948**	1,564,058
Deferred income tax liabilities		**64,428**	59,007
Finance lease obligations		**208,963**	–
Total non-current liabilities		**2,958,339**	1,623,065
Current liabilities			
Trade and bills payables	*10*	**1,199,730**	864,735
Accruals and other payables		**304,008**	308,975
Current income tax liabilities		**5,732**	2,572
Borrowings		**222,426**	206,142
Derivative financial instruments	*11*	**50,475**	61,327
Finance lease obligations		**55,724**	–
Total current liabilities		**1,838,095**	1,443,751
Total liabilities		**4,796,434**	3,066,816
Total equity and liabilities		**7,609,075**	5,625,025
Net current assets		**2,251,825**	1,579,231
Total assets less current liabilities		**5,770,980**	4,181,274

Notes:

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

Texhong Textile Group Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in the manufacturing and sale of yarn, grey fabrics and garment fabrics.

The Company was incorporated in Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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.

This condensed consolidated interim financial information is presented in Chinese Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 5 August 2013.

These condensed consolidated interim financial statements have not been audited.

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

Except for the accounting policy for finance leases, which is effective for the first time for this interim period as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is recognized in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

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

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

2. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics and garment fabrics. Revenues recognised for the period ended represented sales of goods, net of value-added tax.

The Committee of Executive Directors is the Group's chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Committee of Executive Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Committee of Executive Directors considers the business from both a product and geographical perspectives. From a product perspective, management assesses the performance from sales of yarn, grey fabrics and garment fabrics. The operations are further evaluated on a geographic basis including Mainland China, Vietnam, Macao, Hong Kong, Uruguay and Turkey.

The Committee of Executive Directors assesses the performance of the operating segments based on revenue and operating profit.

The segment information for the six months ended 30 June 2013 is as follows:

	Unaudited Six months ended 30 June 2013								
	Yarn						Grey fabrics	Garment fabrics	
	Mainland China *RMB'000*	Vietnam *RMB'000*	Macao *RMB'000*	Hong Kong *RMB'000*	Uruguay *RMB'000*	Turkey *RMB'000*	Mainland China *RMB'000*	Mainland China *RMB'000*	Total *RMB'000*
Total revenue	**2,739,999**	**1,136,226**	**3,172,758**	**145,511**	**–**	**–**	**421,030**	**73,185**	**7,688,709**
Inter-segment revenue	**(303,920)**	**(1,049,579)**	**(2,587,828)**	**(138,684)**	**–**	**–**	**–**	**–**	**(4,080,011)**
Revenue (from external customers)	**2,436,079**	**86,647**	**584,930**	**6,827**	**–**	**–**	**421,030**	**73,185**	**3,608,698**
Segment results	**213,905**	**60,927**	**299,228**	**6,440**	**(983)**	**–**	**2,689**	**1,226**	**583,432**
Unallocated expenses									**(39,990)**
Operating results									**543,442**
Finance income									**4,054**
Finance costs									**(47,056)**
Share of profit of an associate									**1,831**
Income tax expense									**(55,697)**
Profit for the period									**446,574**
Depreciation and amortisation	**(41,875)**	**(50,926)**	**(14)**	**(28)**	**–**	**–**	**(9,158)**	**(858)**	**(102,859)**

The segment information for the six months ended 30 June 2012 is as follows:

	Unaudited Six months ended 30 June 2012						
	Yarn				Grey fabrics	Garment fabrics	
	Mainland China *RMB'000*	Vietnam *RMB'000*	Macao *RMB'000*	Hong Kong *RMB'000*	Mainland China *RMB'000*	Mainland China *RMB'000*	Total *RMB'000*
Total revenue	2,423,096	1,159,381	2,641,315	169,098	473,214	91,694	6,957,798
Inter-segment revenue	(238,743)	(1,069,251)	(2,155,522)	(169,098)	–	–	(3,632,614)
Revenue (from external customers)	2,184,353	90,130	485,793	–	473,214	91,694	3,325,184
Segment results	138,716	78,112	4,634	10,683	5,308	7,303	244,756
Unallocated expenses							(7,507)
Operating results							237,249
Finance income							6,367
Finance costs							(80,745)
Share of profit of an associate							1,888
Income tax expense							(19,852)
Profit for the period							144,907
Depreciation and amortisation	(40,721)	(43,588)	(28)	(11)	(11,034)	(1,632)	(97,014)

The segment assets and liabilities as at 30 June 2013 are as follows:

	Unaudited, as at 30 June 2013									
	Yarn							Grey fabrics	Garment fabrics	
	Mainland China	Vietnam	Macao	Hong Kong	Uruguay	Turkey	Sub-total	Mainland China	Mainland China	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	**3,502,761**	**3,053,339**	**349,329**	**6,149**	**10,174**	**8,779**	**6,930,531**	**510,678**	**73,138**	**7,514,347**
Unallocated assets										**94,728**
Total assets of the Group										**7,609,075**
Total segment liabilities							**(1,794,736)**	**(125,021)**	**(9,010)**	**(1,928,767)**
Unallocated liabilities										**(2,867,667)**
Total liabilities of the Group										**(4,796,434)**
Capital expenditure	**455,488**	**566,194**	**11**	**–**	**–**	**8,779**	**1,030,472**	**3,278**	**5**	**1,033,755**

The segment assets and liabilities as at 31 December 2012 are as follows:

	Audited, as at 31 December 2012								
	Yarn						Grey fabrics	Garment fabrics	
	Mainland China	Vietnam	Macao	Hong Kong	Uruguay	Sub-total	Mainland China	Mainland China	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	2,887,149	1,707,636	232,396	2,396	10,176	4,839,753	573,138	120,540	5,533,431
Unallocated assets									91,594
Total assets of the Group									5,625,025
Total segment liabilities						(1,673,257)	(98,746)	(12,318)	(1,784,321)
Unallocated liabilities									(1,282,495)
Total liabilities of the Group									(3,066,816)
Capital expenditure	149,005	371,127	123	–	10,073	530,328	6,014	86	536,428

3. EXPENSES BY NATURE

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Cost of inventories	**2,289,788**	2,474,959
Employment costs	**305,787**	240,313
Utilities	**180,351**	167,020
Depreciation and amortisation	**102,859**	97,014
Reversal of provision for decline in the value of inventories	**(5,526)**	(72,635)
Transportation	**62,693**	63,151

4. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Interest expense		
— Bank borrowings wholly repayable within five years	**84,928**	74,298
— Finance lease obligations	**1,637**	–
	86,565	74,298
Exchange (gains)/losses on financing activities	**(39,509)**	6,447
Finance costs — net	**47,056**	80,745
Finance income — interest income on bank deposits	**(4,054)**	(6,367)
Net finance costs	**43,002**	74,378

5. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Current income tax		
— Mainland China and Vietnam enterprise income tax	**44,939**	30,524
Deferred income tax	**10,758**	(10,672)
	55,697	19,852

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to income tax at rate of 16.5% (2012: 16.5%).

(ii) Mainland China enterprise income tax

Subsidiaries established in Mainland China are subject to enterprise income tax ("EIT") at rate of 25% during the period (2012: 25%).

Effective from 1 January 2008, the subsidiaries established in Mainland China are required to determine and pay the EIT in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007.

Except for Texhong (China) Investment Co., Ltd., Shanghai Texhong Trading Co., Ltd. and Shanghai Hongrun Textile Co., Ltd., all other subsidiaries 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 earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008, in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

(iii) Vietnam income tax

Subsidiaries established in Vietnam are subject to income tax at rate of 25% (2012: 25%).

As approved by the relevant Tax Bureau in Vietnam, the subsidiaries established in Vietnam in 2012 and 2011 are entitled to four years' exemption from income taxes followed by nine years of a 50% tax reduction, commencing from the first profitable year after offsetting the losses carried forward from the previous years, and are entitled to a preferential income tax rate of 10% for 15 years, commencing from the first year generating income from the operation.

As approved by the relevant Tax Bureau in Vietnam, the subsidiary established in Vietnam in 2006 should separately calculate income tax on its supplementary investments. The initial investment of the subsidiary is entitled to three years' exemption from income taxes followed by seven years of a 50% tax reduction and is entitled to a preferential income tax rate of 15% for 12 years. The first supplementary investment of the subsidiary is entitled to three years' exemption from income taxes followed by five years of a 50% tax reduction based on the income tax rate of 25%.

As approved by the relevant Tax Bureau in Vietnam, the other subsidiary in Vietnam should separately calculate income tax on its supplementary investments. The initial investment of the subsidiary is entitled to a tax rate of 15%. The supplementary investment of the subsidiary is entitled to a tax rate of 25%.

The applicable tax rates for the subsidiaries in Vietnam range from nil to 25% during the period (2012: Nil to 25%).

(iv) Other income tax

The Company, incorporated in Cayman Islands, and the Company's subsidiaries established in the British Virgin Islands are exempted from payment of income tax in the countries of jurisdiction.

The subsidiary established in Macao is subject to income tax at rate of 9% (2012: 9%). No provision for Macao profits tax has been made as the Group had no assessable profit arising in or derived from Macao during the period (2012: Nil).

The subsidiary established in Uruguay is subject to income tax at rate of 25%(2012: 25%). No provision for Uruguay profits tax has been made as the Group had no assessable profit arising in or derived from Uruguay during the period (2012: Nil).

The subsidiary established in Turkey is subject to income tax at rate of 20%. No provision for Turkey profits tax has been made as the Group had no assessable profit arising in or derived from Turkey during the period.

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**446,572**	145,083
Weighted average number of ordinary shares in issue *(thousands)*	**884,681**	884,681
Basic earnings per share *(RMB per share)*	**0.505**	0.164

(b) Diluted

Diluted earnings per share are the same as the basic earnings per share since the Company does not have dilutive shares.

7. DIVIDENDS

A final dividend of RMB192,142,000 that relates to the year ended 31 December 2012 was paid in April 2013 (2012: Nil).

In addition, an interim dividend of HKD0.19 per share (2012: Nil) was proposed by the board of directors on 5 August 2013. It will be payable on or about 28 August 2013 to shareholders who are on the register on 21 August 2013. This interim dividend, amounting to RMB133,900,000 (2012: Nil), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the financial statements of the Company for the year ending 31 December 2013.

8. INVENTORIES

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Raw materials	**1,639,847**	875,101
Work-in-progress	**48,266**	32,457
Finished goods	**461,521**	513,967
	2,149,634	1,421,525

9. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Trade receivables	**254,288**	181,418
Less: provision for impairment	**(1,600)**	(877)
	252,688	180,541
Bills receivables	**337,887**	631,868
	590,575	812,409

The Group generally grants credit terms of less than 90 days to its customers. The ageing analysis of the trade and bills receivables was as follows:

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Within 30 days	**451,427**	211,775
31 to 90 days	**110,020**	228,682
91 to 180 days	**17,725**	370,549
181 days to 1 year	**11,914**	1,452
Over 1 year	**1,089**	828
	592,175	813,286
Less: provision for impairment	**(1,600)**	(877)
Trade and bills receivables — net	**590,575**	812,409

10. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Trade payables	**322,508**	252,001
Bills payables	**877,222**	612,734
	1,199,730	864,735

As at 30 June 2013, included in the trade payables was an amount due to an associate of RMB1,889,000 (31 December 2012: nil).

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

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Within 90 days	**1,129,950**	654,111
91 to 180 days	**66,498**	112,787
181 days to 1 year	**1,714**	95,761
Over 1 year	**1,568**	2,076
	1,199,730	864,735

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Assets:		
Forward foreign exchange contracts	**3,007**	–
Liabilities:		
Interest rate swap contracts	**50,475**	61,327

Non-hedging derivatives are classified as a current asset or liability.

The forward foreign exchange contracts as at 30 June 2013 comprised three contracts with notional principal amounts totalling RMB308,935,000 (2012: Nil).

The interest rate swap contracts as at 30 June 2013 comprised four contracts with notional principal amounts totalling RMB1,671,338,000 (2012: RMB1,709,070,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are pleased to present the results of the Group for the six months ended 30 June 2013 to our shareholders. During the period under review, the Group's turnover increased by 8.5% to RMB3,609 million when compared to the corresponding period last year. The increase was mainly attributable to the growth in sales volume. Profit attributable to equity holders for the six months ended 30 June 2013 tripled to RMB447 million when compared to the corresponding period last year. Earnings per share also tripled to RMB0.505 from RMB0.164 for the corresponding period last year. The surge in profit attributable to equity holders on a year-on-year basis was mainly due to the fact that the Group had just achieved a turnaround in the first half of 2012 and that its business operations in 2013 had basically followed a trend as that of the second half of the previous year driven by the continued robust demand for the Group's products. The increase was also attributable to low international cotton prices, which effectively facilitate a reduction in our production costs. Although these advantages were partly offset by the low selling prices of yarns in the China market, armed with relatively adequate cotton purchase orders and inventory, our financial performance in the first half of 2013 was still better than that in the second half of the preceding year.

Industry Review

Although the Chinese cotton textile industry has faced tough challenges due to the huge gap between international and Chinese cotton prices since 2012, we have seen the statistics from different authorities showing a relatively stable overall market environment. As indicated by the information provided by China National Textile And Apparel Council, the accumulated industrial output value realized by the textile enterprises with certain economies of scale in China from January to May 2013 was RMB2,370.92 billion, representing an increase of 13.95% over the figure of the corresponding period last year. According to the statistics from the General Administration of Customs, the accumulated amount of export of textiles and garment products from China from January to June 2013 was US$127.21 billion, representing an increase of 12% over the figure of the corresponding period last year. Additional investments in fixed assets of RMB296.5 billion were made by the textile industry in China from January to May 2013, representing an increase of 13.62% over those of the corresponding period last year. However, the number of new projects and the number of completed projects only increased by 7.35% and 2.97% over those of the corresponding period last year respectively.

Business Review

For the period under review, the turnover of the Group was RMB3,609 million, representing an increase of 8.5% when compared to the corresponding period last year. Turnover of our Group comprises sales of yarns, grey fabrics and garment fabrics. Yarns continued to be the major products of the Group, which contributed to a turnover of RMB3,114 million during the six months ended 30 June 2013, accounting for 86.3% of the Group's total turnover. The increase was mainly driven by sales volume growth. However, as the Group has already reached full capacity of yarn production and has yet to complete the trial production of the newly added capacity in mainland China and Vietnam this year, there was only a slight growth in sales volume of 9.0% to about 119,000 tonnes for the six months ended 30 June 2013 when compared to the corresponding period last year. The Group has been constantly focusing on stretchable core-spun yarn and denim yarn markets in China and exploring markets for differentiated and high value-added yarn products. The operating data of our products is set out below:

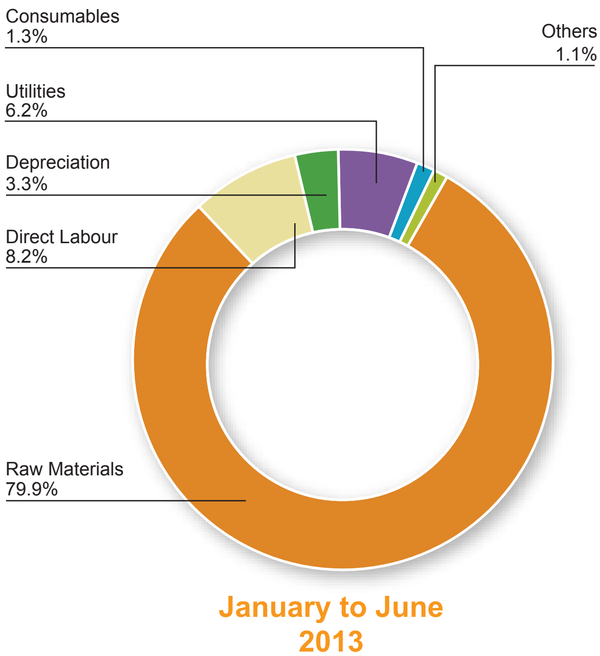
	January to June 2013	**Gross profit margin**	January to June 2012	Gross profit margin	**Turnover change between 2013 and 2012**	**Margin change between 2013 and 2012**
	RMB'000		*RMB'000*			***Percentage points***
Stretchable core-spun yarns						
— Cotton	**1,354,926**	**25.7%**	1,243,257	14.6%	**9.0%**	**11.1**
— Denim	**597,353**	**26.9%**	365,687	21.4%	**63.4%**	**5.5**
— Synthetic fiber	**338,083**	**17.0%**	326,603	10.7%	**3.5%**	**6.3**
Other yarns						
— Cotton	**242,800**	**14.5%**	164,677	13.1%	**47.4%**	**1.4**
— Denim	**292,195**	**22.8%**	391,104	11.8%	**-25.3%**	**11.0**
— Synthetic fiber	**289,126**	**20.4%**	268,948	12.9%	**7.5%**	**7.5**
Fabrics						
— Stretchable grey fabrics	**352,120**	**8.0%**	368,380	9.1%	**-4.4%**	**-1.1**
— Other grey fabrics	**68,910**	**5.3%**	104,834	1.7%	**-34.3%**	**3.6**
— Garment fabrics	**73,185**	**15.7%**	91,694	15.5%	**-20.2%**	**0.2**
Total	**3,608,698**	**21.4%**	3,325,184	13.4%	**8.5%**	**8.0**

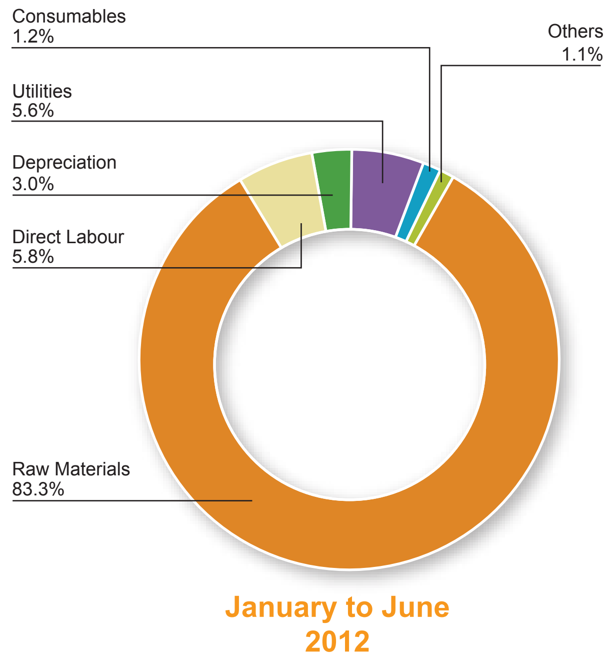
	Sales Volume		Sales Volume change	Selling price		Selling price change
	January to June 2013	January to June 2012	**between 2013 and 2012**	**January to June 2013**	January to June 2012	**between 2013 and 2012**
Stretchable core-spun yarns (Ton/RMB per ton)						
— Cotton	**47,932**	44,238	**8.4%**	**28,268**	28,104	**0.6%**
— Denim	**23,451**	14,364	**63.3%**	**25,472**	25,459	**0.1%**
— Synthetic fiber	**13,855**	13,713	**1.0%**	**24,402**	23,817	**2.5%**
Other yarns (Ton/RMB per ton)						
— Cotton	**9,947**	6,847	**45.3%**	**24,409**	24,051	**1.5%**
— Denim	**12,757**	17,892	**-28.7%**	**22,905**	21,859	**4.8%**
— Synthetic fiber	**11,004**	12,066	**-8.8%**	**26,275**	22,290	**17.9%**
Fabrics (Million meters/RMB per meter)						
— Stretchable grey fabrics	**33.1**	30.7	**7.8%**	**10.6**	12.0	**-11.7%**
— Other grey fabrics	**7.3**	9.5	**-23.2%**	**9.4**	11.1	**-15.3%**
— Garment fabrics	**3.8**	4.7	**-19.1%**	**19.3**	19.6	**-1.5%**

The overall gross profit margin of the Group's products increased from 13.4% for the corresponding period last year to 21.4% for the six months ended 30 June 2013. During the period under review, the fall in international cotton prices had helped reduce the overall production costs of cotton yarns. Affected by huge differences between China and international cotton prices, cotton yarn prices in the China market had stood at low levels for a prolonged period. However, with the narrower price differences in the first half of 2013, yarn prices in the China market had rebounded slightly. Moreover, with relatively adequate cotton purchase orders and inventory at the end of last year, the Group managed to achieve a higher overall gross profit margin.

Cost of sales decreased by 1.4% to RMB2,837.9 million when compared to the corresponding period last year. Raw material cost accounted for about 79.9% of the total cost of sales for the six months ended 30 June 2013. Cotton is our major raw material.

The breakdown of our cost of sales is shown below:





The Group will continue to adhere to its established business strategy of optimizing product mix, developing new products that cater for market trend and demand and fully leveraging the cost advantage of the production base in Vietnam, thereby further improving the Group's financial performance. Currently, the international market prices of cotton have become lower than those in China which will benefit the Group's manufacturing operations in Vietnam. The Group will continue to uphold its procurement strategy of maintaining cotton orders and inventory at adequate levels that can meet its needs for about five months. This strategy will be adjusted when the differences in cotton prices between China and international market have been narrowed or international cotton prices have rebounded.

While developing a wide range of differentiated products, the Group continues to explore opportunities to produce different types of yarns, including knitted yarns. We continue to tie up close relationship with special fiber manufacturers, such as Toray Group of Japan, Lenzing Fibers in Europe and INVISTA in the United States. Our research and development centre in Changzhou has been developing and improving a wide variety of diversified products based on the market demand in order to carve out a leading niche in the industry and meet the demand for different high-end products from quality customers.

The Chinese textile market has been the major market for the Group. The ten largest customers of the Group for the six months ended 30 June 2013, which accounted for 22.7% of the total turnover of the Group, are as follows:

Toray International, Inc.
Zhejiang Limayunshan Textile Co., Ltd.
Zhejiang Jiaermei Textile Co., Ltd.
Yixing Lucky G And L Denim Co., Ltd.
Shaoguan Shunchang Weaving Factory Co., Ltd.
Guangdong Qianjin Jeans Co., Ltd.
Ningbo Daqian Textile Co., Ltd.
Conba Group Co., Ltd.
Yixing Lucky G And L Dyeing And Finishing Co., Ltd.
Foshan Seazon Textile & Garment Co., Ltd.

ACQUISITION OF A SUBSIDIARY

As announced by the Company on 20 June 2013, the Company entered into a framework agreement ("Framework Agreement") in relation to the acquisition of the entire equity interest of Shandong Morigin Textile Factory Co., Ltd. ("Morigin") and the arrangement for the repayment of shareholders' loan due by Morigin to one of its shareholders, namely, Yunsheng Holdings Group Co., Ltd ("Yunsheng").

The Group also entered into a yarn procurement agreement ("Yarn Procurement Agreement") with Morigin on 20 June 2013 for the procurement of yarn by the Group from Morigin at the consideration of RMB339.24 million. Under the Framework Agreement, Yunsheng shall inject additional registered capital to Morigin and an equity transfer agreement ("Equity Transfer Agreement") will be entered into by the Group on the date on which the necessary registration procedures regarding the increase in registered capital of Morigin are completed and the revised business licence of Morigin is obtained to give effect to the acquisition of the entire equity interest of Morigin by the Group. The consideration for the transfer of the equity interest of Morigin shall be RMB3. As at the date of this announcement, the Equity Transfer Agreement has not yet been entered into between the parties.

Upon completion of the above acquisition, Morigin will become a wholly owned subsidiary of the Company.

FUTURE OUTLOOK

Most of our expansion plans for the current year were carried out according to the original schedules. At present, the first phase of the northern Vietnam project of about 170,000 spindles and 30 sets of open-end spinning machines was successfully put into full production in July 2013 at high efficiency. Our newly expanded capacity in other places including Vietnam and China of about 600,000 spindles in aggregate is expected to be put into full operation on a gradual basis in the third quarter of 2013. By then, the Group will be equipped with production facilities of approximately 1.77 million spindles and 30 sets of open-end spinning machines, representing an increase of about 84% over one million spindles at the beginning of the year. On the assumption that there is no material change in product mix, we will reach an annual production capacity of yarns of about 440,000 tonnes. In view of the strong demand for our products from customers, orders from some customers such as Toray Group of Japan and others in Fujian of the PRC are expected to be doubled. The proportion of yarn products in synthetic fiber and knitting categories will be enhanced. This will help us effectively mitigate the impact of fluctuations in cotton prices on the financial results of the Group. This is also a testimony to our consolidated leadership in stretchable core-spun yarn markets, as well as to our notable breakthrough in terms of sales volume and recognition from customers in the aspect of other differentiated products. We are well poised for sustained and stable growth in the future.

For the expansion plan in 2014, it is expected that production facilities equivalent to about 520,000 spindles will be built and are expected to be completed in the second half of 2014. The total investment will be about RMB1.35 billion. This will include the second phase of our northern Vietnam project with about 230,000 spindles, expansion in our newly acquired production facilities in Shandong with about 120,000 spindles, the first phase of our Turkey project with about 60,000 spindles and the first phase of our Uruguay project with about 54 sets of vortex and open-end spinning machines. The estimated annual output of the new production facilities will be about 120,000 tonnes subject to the final product mix. In relation to the proposed expansion in Shandong, it may start earlier in 2013, depending on the completion date of the equity transfer.

In the foreseeable future, as the Group's major sales market is still in China and its products are mainly related to cotton textiles, the performance of the Group will be mainly influenced by cotton prices, especially cotton prices in China. In addition, price differences between the China and international cotton markets will also exert significant impact on the profitability of the Group's products produced in Vietnam. Nevertheless, the market demand for textiles in China remains huge. With a determined commitment to the manufacture and sale of high-quality yarn products, the Group is confident of its sales growth in the future.

On 16 July this year, Texhong Textile was rated among the "Top 500 Companies in China in 2013" as compiled by the internationally renowned Fortune magazine. This marked the first time that the Group has been included in the list and the honour reflects the expanding scale of its business and the widespread recognition of its business model. The Group will continue to strive its utmost to bring long term and sustainable returns to shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2013, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB1,003 million (as at 31 December 2012: RMB552.3 million).

As at 30 June 2013, the Group's inventories increased by RMB728.1 million to RMB2,149.6 million (as at 31 December 2012: RMB1,421.5 million), and trade and bills receivables decreased by RMB221.8 million to RMB590.6 million (as at 31 December 2012: RMB812.4 million). The inventory turnover days and trade and bills receivable turnover days were 113 days and 35 days respectively, as compared to 78 days and 36 days respectively as at 31 December 2012. During the period, when compared to that of last year, the increase in inventory turnover days was mainly due to the increase in advance purchases of overseas cotton. As at 30 June 2013, cotton inventory amounted to about RMB1.25 billion (approximately 100,000 tonnes). Trade and bills receivable turnover days were similar to the level in 2012. The trade and bills payable increased to RMB1,199.7 million (as at 31 December 2012: RMB864.7 million). The increase was mainly due to financing of the increase in cotton purchases.

The Group's borrowings increased to RMB2,907.4 million, mainly as a result of the new issue of preferential notes of US$200 million (as at 31 December 2012: RMB1,770.2 million).

As at 30 June 2013, the Group's financial ratios were as follows:

	30 June 2013	31 December 2012
Current ratio	**2.23**	2.09
Debt to equity ratio[1]	**1.03**	0.69
Net debt to equity ratio[2]	**0.68**	0.48

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

Foreign exchange risk

The Group mainly operates in mainland China and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in RMB and USD, among which, significant amount of the sales revenue are denominated in RMB, while certain costs and liabilities are denominated in USD. Depreciation of RMB against USD will be unfavourable to the Group. Foreign exchange risk 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 reviews and monitoring its foreign exchange exposures.

Capital expenditure

For the six months ended 30 June 2013, the capital expenditure of the Group amounted to approximately RMB1,034 million (for the six months ended 30 June 2012: RMB70.96 million), which was mainly related to the investments in newly added capacity in China and Vietnam.

Disclosure pursuant to Rule 13.18 of the Listing Rules

As announced by the Company on 12 January 2011 and 12 April 2013, the Company and certain of its subsidiaries entered into (i) a purchase agreement with Deutsche Bank AG, Singapore Branch, in connection with the issue of US$200 million 7.625% senior notes ("2011 Notes") due 2016; and (ii) a purchase agreement with Deutsche Bank AG, Singapore Branch, J.P. Morgan Securities plc and Standard Chartered Bank in connection with the issue of US$200 million 6.500% senior notes ("2013 Notes", together with the 2011 Notes, the "Notes") due 2019. The respective indenture (collectively, the "Indentures") governing the Notes provides that upon the occurrence of a change of control triggering event, the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date.

A change of control under the Indentures includes, among others, any transaction that results in either (i) the Permitted Holders (as defined below), which include Mr. Hong Tianzhu, the controlling shareholder of the Company and companies controlled by him, being the beneficial owners (as such term is used in the Indentures) of less than 50.1% of the total voting power of the voting stock of the Company; or (ii) any person or group (as such terms are used in the Indentures) is or becomes the beneficial owner, directly or indirectly, of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the Permitted Holders. "Permitted Holders" means any or all of (1) Messrs. Hong Tianzhu and Zhu Yongxiang; (2) any affiliate of the persons specified in paragraph (1); and (3) any person both the capital stock and the voting stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by persons specified in paragraphs (1) and (2) above.

As announced by the Company on 14 July 2012, by an agreement dated 13 July 2011 ("Facility Agreement") entered into by, among others, a wholly-owned subsidiary of the Company as borrower and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a loan facility ("Facility") of up to the aggregate principal amount of US$60,000,000 for our expansion of the Phase III project in Vietnam. The Facility shall be fully repayable in July 2018 and is secured by a mortgage of equipment and machinery. The Facility Agreement contains the usual cross default provisions and a further requirement that Mr. Hong Tianzhu shall remain the Chief Executive Officer of the Group and the Company's single largest shareholder and own, directly or indirectly, more than 25% of the total issued share capital of the Company. A breach of such requirement will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and repayable. The occurrence of such circumstance may trigger the cross default provisions of other banking/credit facilities available to the Group and as a possible consequence, these other facilities may also be declared to be immediately due and repayable.

As at the date of this announcement, the Company is in compliance with the Indentures and the Facility Agreement. As of 30 June 2013, the Company repurchased and cancelled notional amount of US$12 million of the 2011 Notes.

Pledge of assets

As at 30 June 2013, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB320 million were pledged to secure for banking facilities for the purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2012: RMB372 million).

Human resources

As at 30 June 2013, the Group had a total workforce of 16,823 employees, representing an increase of 31.6% mainly due to expansion in production facilities when compared with that at the end of last year (as at 31 December 2012: 12,779 employees), of whom 9,731 employees were based in the regional headquarters in Shanghai and our manufacturing plants in mainland

China. The remaining 7,092 employees stationed in regions outside mainland China including Vietnam, Hong Kong and Macao. The Group will continuously optimize the workforce structure and offer its staff with 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 depends on the contributions of our skilled and motivated staff in all our functional divisions.

Dividend policy

The Board intends to maintain a long term dividend payout ratio, representing about 30% of the Group's net profit for the year, with a view to providing our shareholders with reasonable returns. The Board has resolved to declare an interim dividend of 19 HK cents per share for the six months ended 30 June 2013 to shareholders whose names appear on the register of shareholders of the Company in Hong Kong on 21 August 2013.

Closure of register of members

The register of members of the Company will be closed from 20 August 2013 to 21 August 2013, both days inclusive, during which no transfer of shares can be registered. To qualify for the interim dividend (which will be payable on or about 28 August 2013), shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 31st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on 19 August 2013.

Purchase, sale and redemption of the listed securities of the Company

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Corporate Governance Code ("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.

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 ("Model Code") set out in Appendix 10 to the Listing Rules. 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, namely, Mr. Ting Leung Huel, Stephen, Ms. Zhu Beina and Professor Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The terms of reference 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 condensed consolidated financial statements of the Company for the six months ended 30 June 2013.

Remuneration committee

The remuneration committee of the Board comprises the chairman and executive Director, Mr. Hong Tianzhu, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Beina and Professor Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The terms of reference of the remuneration committee comply with the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and providing advice and recommendations to the Board.

Nomination committee

The nomination committee of the Board comprises the chairman and executive Director, Mr. Hong Tianzhu, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Beina and Professor Cheng Longdi. Mr. Hong Tianzhu is the chairman of the nomination committee. The terms of reference of the nomination committee comply with the Code Provisions. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

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

Hong Kong, 5 August 2013

As at the date of this announcement, the executive Directors are Mr. Hong Tianzhu, Mr. Zhu Yongxiang, Mr. Tang Daoping and Mr. Gong Zhao, and the independent non-executive Directors are Professor Cheng Longdi, Mr. Ting Leung Huel, Stephen and Ms. Zhu Beina.