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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by 27.2% to RMB10.47 billion.
- Gross profit margin decreased by 6.8 percentage point to 12.4%.
- Net profit margin decreased by 10.8 percentage point to 2.9%.
- Profit for the year decreased by 72.8% to RMB306.7 million.
- Earnings per share decreased to RMB0.35.

The board (the "Board") of directors (the "Directors") of Texhong Textile Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014, together with the comparative figures for 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	Year ended 31 December **2014** *RMB'000*	2013 *RMB'000*
Revenue	2	**10,470,321**	8,228,533
Cost of sales	4	**(9,176,107)**	(6,645,150)
Gross profit		**1,294,214**	1,583,383
Selling and distribution costs	4	**(351,612)**	(234,268)
General and administrative expenses	4	**(328,235)**	(308,214)
Other income	3	**15,633**	30,754
Other (losses)/gains – net	3	**(30,066)**	285,480
Operating profit		**599,934**	1,357,135
Finance income		**4,836**	7,128
Finance costs		**(253,840)**	(128,809)
Finance costs – net	5	**(249,004)**	(121,681)
Share of profit of an associate		**4,020**	4,688
Profit before income tax		**354,950**	1,240,142
Income tax expense	6	**(48,229)**	(114,115)
Profit for the year		**306,721**	1,126,027
Profit attributable to:			
Owners of the Company		**306,721**	1,125,890
Non-controlling interests		**–**	137
		306,721	1,126,027
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	7	**RMB0.35**	RMB1.27
— Diluted earnings per share	7	**RMB0.35**	RMB1.27
Dividends	8	**90,956**	330,441

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**306,721**	1,126,027
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to profit or loss		
Surplus on revaluation of buildings		
– gross	**–**	29,869
– deferred income tax	**–**	(7,712)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(777)**	–
Other comprehensive (loss)/income for the year	**(777)**	22,157
Total comprehensive income for the year	**305,944**	1,148,184
Attributable to:		
Owners of the Company	**305,944**	1,148,047
Non-controlling interests	**–**	137
	305,944	1,148,184

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Freehold land and land use rights		**384,753**	395,299
Property, plant and equipment		**4,157,691**	3,804,005
Investment in an associate		**59,546**	55,526
Deferred income tax assets		**151,654**	134,758
		4,753,644	4,389,588
Current assets			
Inventories	9	**1,636,261**	2,280,471
Trade and bills receivables	10	**1,319,756**	963,080
Prepayments, deposits and other receivables		**290,663**	352,092
Derivative financial instruments	12	**–**	13,333
Pledged bank deposits		**44,025**	26,644
Cash and cash equivalents		**1,094,197**	919,107
		4,384,902	4,554,727
Total assets		**9,138,546**	8,944,315
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**94,064**	94,064
Share premium		**189,218**	189,218
Other reserves		**480,049**	481,704
Retained earnings			
– Proposed final dividend		**55,834**	196,608
– Others		**2,635,467**	2,418,824
Total equity		**3,454,632**	3,380,418

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**2,778,806**	2,623,433
Deferred income tax liabilities		**75,827**	75,774
Finance lease obligations		**338,334**	178,705
		3,192,967	2,877,912
Current liabilities			
Trade and bills payables	*11*	**1,665,591**	2,009,599
Accruals and other payables		**441,593**	395,402
Current income tax liabilities		**4,221**	17,306
Borrowings		**236,316**	166,089
Derivative financial instruments	*12*	**26,851**	42,603
Finance lease obligations		**116,375**	54,986
		2,490,947	2,685,985
Total liabilities		**5,683,914**	5,563,897
Total equity and liabilities		**9,138,546**	8,944,315
Net current assets		**1,893,955**	1,868,742
Total assets less current liabilities		**6,647,599**	6,258,330

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 the 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.

These consolidated financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors of the Company on 16 March 2015.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

(a) New amendments and interpretation adopted by the Group in 2014

The following new amendments to existing standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2014.

Amendment to HKAS 32 'Financial Instruments: Presentation' on financial assets and liabilities offsetting is effective for annual periods beginning on or after 1 January 2014. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to HKFRS 10, 12 and HKAS 27 on consolidation for investment entities are effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36 'Impairment of Assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. It addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' on the novation of derivatives is effective for annual periods beginning on or after 1 January 2014. It provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. It is an interpretation of HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions executed on or after 1 July 2014:

- Amendment to HKFRS 2 'Share-based Payment' clarifies the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'.

- Amendments to HKFRS 3 'Business Combinations', and consequential amendments to HKFRS 9 'Financial Instruments', HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and HKAS 39 'Financial Instruments — Recognition and Measurement' clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 'Financial Instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The adoption of the above new amendments and interpretation starting from 1 January 2014 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2014.

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2014, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

Amendment to HKAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2012 that affect the following standards: HKFRS 8 'Operating Segments', HKAS 16 'Property, Plant and Equipment', HKAS 24 'Related Party Disclosures' and HKAS 38 'Intangible Assets', effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2013 that affect the following standards: HKFRS 3 'Business Combinations', HKFRS13 'Fair Value Measurement' and HKAS 40 'Investment Property', effective for annual periods beginning on or after 1 July 2014.

HKFRS 14 ‘Regulatory Deferral Accounts’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 11 on accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 41 on agriculture: bearer plants, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 1 on presentation of financial statements, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 27 on separate financial statements regarding equity method, effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect the following standards: HKFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, HKFRS 7 ‘Financial Instruments: Disclosures’, HKAS 19 ‘Employee Benefits’ and HKAS 34 ‘Interim Financial Reporting’, effective for annual periods beginning on or after 1 January 2016.

HKFRS 15 ‘Revenue from Contracts with Customers’, effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 ‘Financial Instruments’, effective for annual periods beginning on or after 1 January 2018.

(c) New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 (i.e. year beginning 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. REVENUE AND SEGMENTAL INFORMATION

(i) Revenue

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

(ii) Segment information

The chief operating decision-maker has been identified as the Committee of Executive Directors of the Company. 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 perspective. 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 year ended 31 December 2014 is as follows:

	Year ended 31 December 2014								
	Yarn						Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Uruguay	Turkey	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	**7,905,813**	**4,575,798**	**8,621,247**	**55,266**	**–**	**–**	**700,672**	**146,673**	**22,005,469**
Inter-segment revenue	**(538,591)**	**(4,446,424)**	**(6,497,853)**	**(52,280)**	**–**	**–**	**–**	**–**	**(11,535,148)**
Revenue (from external customers)	**7,367,222**	**129,374**	**2,123,394**	**2,986**	**–**	**–**	**700,672**	**146,673**	**10,470,321**
Segment results	**(856)**	**252,481**	**353,146**	**(1,943)**	**(728)**	**(2,169)**	**12,842**	**6,500**	**619,273**
Unallocated expenses									**(19,339)**
Operating profit									**599,934**
Finance income									**4,836**
Finance costs									**(253,840)**
Share of profit of an associate									**4,020**
Income tax expense									**(48,229)**
Profit for the year									**306,721**
Depreciation and amortisation	**(173,233)**	**(204,540)**	**(57)**	**(95)**	**–**	**(69)**	**(18,571)**	**(1,220)**	**(397,785)**

The segment information for the year ended 31 December 2013 is as follows:

	Year ended 31 December 2013								
	Yarn						Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Uruguay	Turkey	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	6,194,073	3,092,526	6,752,626	302,372	–	–	864,702	152,006	17,358,305
Inter-segment revenue	(630,753)	(2,929,846)	(5,275,291)	(293,882)	–	–	–	–	(9,129,772)
Revenue (from external customers)	5,563,320	162,680	1,477,335	8,490	–	–	864,702	152,006	8,228,533
Segment results	611,529	105,375	678,787	(1,328)	(428)	(377)	5,011	3,352	1,401,921
Unallocated expenses									(44,786)
Operating profit									1,357,135
Finance income									7,128
Finance costs									(128,809)
Share of profit of an associate									4,688
Income tax expense									(114,115)
Profit for the year									1,126,027
Depreciation and amortisation	(106,167)	(139,537)	(31)	(56)	–	–	(20,700)	(1,850)	(268,341)

The segment assets and liabilities as at 31 December 2014 are as follows:

	As at 31 December 2014									
	Yarn							**Grey fabrics**	**Garment fabrics**	**Total**
	Mainland China	**Vietnam**	**Macao**	**Hong Kong**	**Uruguay**	**Turkey**	**Sub-total**	**Mainland China**	**Mainland China**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total segment assets	**4,918,383**	**3,070,828**	**415,801**	**3,801**	**10,148**	**33,125**	**8,452,086**	**539,399**	**120,294**	**9,111,779**
Unallocated assets										**26,767**
Total assets of the Group										**9,138,546**
Total segment liabilities							**(3,163,489)**	**(34,279)**	**(13,001)**	**(3,210,769)**
Unallocated liabilities										**(2,473,145)**
Total liabilities of the Group										**(5,683,914)**
Capital expenditure	**131,976**	**622,352**	**30**	**63**	**–**	**1,732**	**756,153**	**8,454**	**–**	**764,607**

The segment assets and liabilities as at 31 December 2013 are as follows:

	As at 31 December 2013									
	Yarn							Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Uruguay	Turkey	Sub-total	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	4,900,651	2,891,692	346,171	3,540	10,188	25,505	8,177,747	567,962	124,292	8,870,001
Unallocated assets										74,314
Total assets of the Group										8,944,315
Total segment liabilities							(3,068,775)	(67,652)	(10,602)	(3,147,029)
Unallocated liabilities										(2,416,868)
Total liabilities of the Group										(5,563,897)
Capital expenditure	662,251	778,622	14	12	–	24,111	1,465,010	4,205	10	1,469,225

3. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2014	2013
	RMB'000	*RMB'000*
Other income		
Subsidy income	**15,633**	30,442
Others	**–**	312
Total other income	**15,633**	30,754
Other (losses)/gains – net		
Gain on acquisition of a subsidiary	**–**	264,501
Derivative financial instruments at fair value through profit or loss:		
– Realised profits	**1,777**	–
– Unrealised (losses)/profits	**(2,785)**	11,831
Net foreign exchange (losses)/gains	**(34,251)**	4,055
Others	**5,193**	5,093
Total other (losses)/gains – net	**(30,066)**	285,480

The subsidy income mainly related to incentives for development in Xuzhou and Shanghai, Mainland China and grants provided by municipal governments based on the amounts of value added tax and income tax paid. The Group has received all the subsidy income and there was no future obligation related to these subsidy income.

4. EXPENSES BY NATURE

	2014	2013
	RMB'000	*RMB'000*
Raw materials and consumables used	**7,187,630**	5,807,309
Changes in inventories of finished goods and work in progress	**224,692**	(435,492)
Employment costs, including directors' emoluments	**910,503**	698,377
Depreciation and amortisation	**397,785**	268,341
Losses on disposal of property, plant and equipment	**1,884**	11,073
Office expenses	**57,725**	60,513
Utilities	**622,927**	477,768
Transportation costs	**232,972**	152,723
Auditor's remuneration	**4,099**	4,379
Rental expenses for buildings and machinery	**25,172**	19,310
Provision for impairment of trade receivables	**8,725**	692
(Reversal)/ accrual of provision for decline in the value of inventories	**(1,597)**	4,472
Other expenses	**183,437**	118,167
Total cost of sales, selling and distribution costs and general and administrative expenses	**9,855,954**	7,187,632

5. FINANCE INCOME AND COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expenses – borrowings wholly repayable within five years	**248,609**	152,161
Interest expenses – borrowings wholly repayable after five years	**–**	52,840
	248,609	205,001
Exchange losses/(gains) on financing activities	**9,264**	(76,192)
Less: amount capitalised in property, plant and equipment	**(4,033)**	–
Finance costs – net	**253,840**	128,809
Finance income – interest income on bank deposits	**(4,836)**	(7,128)
Net finance costs	**249,004**	121,681

6. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statement represents:

	2014	2013
	RMB'000	*RMB'000*
Current tax on profits for the year	**65,024**	99,978
Adjustment in respect of prior years	**48**	918
Deferred income tax	**(16,843)**	13,219
	48,229	114,115

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (2013: 16.5%).

(b) Mainland China enterprise income tax ("EIT")

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. According to the New CIT Law and DIR, subsidiaries established in Mainland China are subject to EIT at rate of 25% during the year (2013: 25%).

(c) Vietnam income tax

Subsidiaries established in Vietnam are subject to income tax at rate of 22% (2013: 25%).

As approved by the relevant Tax Bureau in Vietnam, the subsidiaries established in Vietnam in 2014, 2013 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 22%.

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 22%.

The applicable tax rates for the subsidiaries in Vietnam range from nil to 22% during the year (2013: nil to 25%).

(d) Other income or profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts or the Business Companies Acts, 2004 of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

The subsidiary established in Macao is subject to income tax rate of 9% (2013: 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 year (2013: nil).

The subsidiary established in Uruguay is subject to income tax rate of 25% (2013: 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 year (2013: nil).

The subsidiary established in Turkey is subject to profits 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 year (2013: nil).

7. 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 year.

	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**306,721**	1,125,890
Weighted average number of ordinary shares in issue (thousands)	**884,681**	884,681
Basic earnings per share (RMB per share)	**0.35**	1.27

(b) Diluted

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

8. DIVIDENDS

The dividend paid in 2014 were RMB231,730,000 (HKD0.33 per ordinary share) (2013: HKD0.46 per ordinary share, amounting to RMB325,975,000). A proposed final dividend in respect of the year ended 31 December 2014 of HKD0.08 (31 December 2013: HKD0.28) per share, amounting to a total dividend of RMB55,834,000 is to be presented for approval at the annual general meeting of the Company on 23 April 2015. These financial statements do not reflect this as dividend payable.

	2014	2013
	RMB'000	*RMB'000*
Interim dividend paid of HKD0.05 (2013: HKD0.19) per ordinary share	**35,122**	133,833
Proposed final dividend of HKD0.08 (2013: HKD0.28) per ordinary share	**55,834**	196,608
	90,956	330,441

9. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**879,037**	1,298,555
Work-in-progress	**70,303**	69,534
Finished goods	**686,921**	912,382
	1,636,261	2,280,471

In 2014, the Group reversed an inventory provision of approximately RMB1,597,000 (2013: additional inventory provision of RMB4,472,000) in respect of the decline in the value of inventories. These amounts have been included in 'cost of sales' in the consolidated income statement.

10. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**217,647**	255,454
Less: provision for impairment	**(10,294)**	(1,569)
	207,353	253,885
Bills receivable	**1,112,403**	709,195
	1,319,756	963,080

The fair values of trade and bills receivables approximate their carrying amounts.

The Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries. The ageing analysis of the trade and bills receivables by invoice date is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**622,543**	636,895
31 to 90 days	**501,784**	256,190
91 to 180 days	**195,691**	67,471
181 days to 1 year	**2,938**	3,113
Over 1 year	**7,094**	980
	1,330,050	964,649
Less: provision for impairment	**(10,294)**	(1,569)
Trade and bills receivables – net	**1,319,756**	963,080

11. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**185,095**	424,156
Bills payable	**1,480,496**	1,585,443
	1,665,591	2,009,599

As at 31 December 2014, included in the trade payables was amount due to an associate of RMB108,000 (2013: RMB288,000).

The ageing analysis of the trade and bills payables (including amount due to an associate of trading in nature) is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**1,028,553**	1,801,815
91 to 180 days	**408,766**	201,045
181 days to 1 year	**3,954**	4,209
Over 1 year	**224,318**	2,530
	1,665,591	2,009,599

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	RMB'000	*RMB'000*
Assets:		
Forward foreign exchange contracts	**–**	13,333
Liabilities		
Interest rate swap contracts	**26,851**	42,603

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

As at 31 December 2014, there is no forward exchange contract (2013: notional principal amounts totalling RMB304,845,000).

The interest rate swap contracts as at 31 December 2014 comprised five contracts with notional principal amounts totalling RMB1,742,932,000 (2013: RMB1,640,066,000).

CHAIRMAN'S STATEMENT

Results

The change in China's textile market in 2014 was most remarkably noted in the aspect of the reform in cotton policy. Granting cotton farmers direct subsidies is an important step that the PRC government had taken during the year, as a substitution for the previous policy on cotton purchases and storage which has been put into effect for three years. Led by a couple of factors including the reform in cotton policy and the fall in selling price of cotton reserve, domestic cotton prices generally followed a downward trend throughout the year. The fall in cotton price induced a decrease in yarn price, posing challenges to the business operation of cotton spinning enterprises.

Under this challenging backdrop, we remained committed to time-to-market initiatives and market-responsive adjustment in product structure. Against the background of continued downturn in the domestic and international textile market, well-served by our spindle capacity, our sales results were beyond market performance, hitting a new high. We outperformed our expectation of reaching year-round sales and output balance. During the year, the Group's yarn sales reached a record high of 432,000 tonnes, representing an increase of approximately 52% over the figure of last year. As a result, the Group recorded a total revenue of RMB10.47 billion, which was the first time for the Group to break through the significant milestone of RMB10 billion.

While the growth in profitability and revenue is yet to be synchronized due to the fall in yarn price, on the back of our RMB10 billion revenue base and well-established market niche, we have paved a solid path for our strategic business development in the years ahead. During the year, the Group's profit for the year amounted to RMB306.7 million, whereas earnings per share was RMB0.35, representing a decrease of 72.8% when compared to last year.

Outlook

Going forward to 2015, there will be a remote possibility for the sluggishness in the demand in the textile market to pick up. Notwithstanding this, buoyed by the incipient stabilization of the market price of cotton and yarns, the price difference between domestic and overseas cotton is expected to again stand at a reasonable range. Given this scenario, coupled with the progress made in cotton VAT pilot reforms in a number of provinces across the PRC, cotton industry peers in the PRC are expected to be blessed with new stimulus.

Moving ahead, the Group will spend continuous efforts to consolidate and expand its edges in internationalized industrial layout. As at 31 December 2014, the Group has a total of approximately 2.16 million spindles and 572 air-jet looms, of which about 1.17 million spindles and 572 air-jet looms are located in China, and about 0.99 million spindles are located in Vietnam. Taking a prudent stance, the Group had decided to postpone the expansion plan in Turkey in 2014. Meanwhile, we will remain focused on the integration of the existing resources, so as to bolster up our leading position in China's textile market. In view of Vietnam's notable cost advantage over China and prospect explored by the signing of the "Pan-Pacific Strategic Economic Partnership Agreement" ("TPP"), our continuous business expansion in Vietnam is in line with our long-term strategy that is dedicated to the growth of profitability. In 2015, the Group will construct a new yarn production base in Quang Ninh province in Vietnam. Also, the Group will continue to explore the feasibility of relocation of the existing grey fabric production facility in China to Vietnam and further expansion of the downstream business.

Building on our ingrained culture of market leadership and long-held values on customer relationship, dedication to quality products, offering of a differentiated and diversified array of product portfolio and innovation, plus advantages of internationalized industrial layout, we are confident to raise our business goal to a new high in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are pleased to present the annual results of the Group for the year ended 31 December 2014 to our shareholders. During the year, attributable to the expanded yarn capacity over the recent two years and the unswerving company-wide efforts, the Group's revenue grew by 27% to RMB10.47 billion when compared to last year. However, profit for the year decreased by 72.8% to RMB306.7 million when compared to last year, because of the yarn price decrease, the one-off gain on acquisition of a subsidiary in 2013 and the exchange losses incurred in this year. Earnings per share decreased from RMB1.27 for last year to RMB0.35 as well.

Industry Review

In 2014, China's cotton textile industry showed signs of overall drop in market price and overall slowdown in production. The growth rate of import and export trade of cotton textiles was apparently slowing down.

In addition to the slackness in the market demand for cotton textiles, cotton textile enterprises were also subject to the impact of the adjustment in cotton policy. Cotton policy reform was originally intended to be implemented by making use of market-driven force, so that the price difference between domestic and overseas cotton can be kept at a reasonable range and the interests of cotton farmers can be protected, thereby strengthening the competitiveness of the cotton textile enterprises in the PRC. However, the change in cotton policy had led to lower domestic cotton price, which had in turn resulted in difficult operating landscape for domestic cotton textile enterprises during 2014. With the gradual stabilization of cotton prices, the tough situation faced by domestic cotton textile enterprises is anticipated to be improved.

Nevertheless, in response to the extension of textile industry chains to lower-cost regions, and in anticipation of the signing of the TPP, textile enterprises with competitive strength have started or expanded their investment in Vietnam in 2014. In the coming years, Vietnam is expected to remain as the key region where domestic high-quality textile enterprises are going to expand their overseas business.

Business Review

For the year ended 31 December 2014, the revenue of the Group amounted to RMB10.47 billion, representing an increase of 27% when compared to last year, principally driven by the growth in sales volume of yarn.

Revenue of the Group comprises sales of yarns, grey fabrics and garment fabrics. During the year, yarns continued to be the major products of the Group, which contributed to 92% of the Group's total revenue for the year, amounting to RMB9.6 billion and representing an increase of 33.4% when compared to last year. The increase was mainly fuelled by sales volume growth contributed by capacity expansion. The Group's new capacities installed in the PRC and Vietnam during the second half of 2013 were commissioned to full production at high efficiency during the full year of 2014. Moreover, additional capacity of approximately 260,000 spindles for the second phase of the Northern Vietnam production plant, installed in the first half of 2014, reached the optimal capacity in September 2014. For the year ended 31 December 2014, the Group's yarn sales volume increased significantly by 52% to a record high of about 432,000 tonnes when compared to last year. Revenue from grey fabrics and garment fabrics was RMB847 million, accounting for 8% of the Group's total revenue for the year.

The overall gross profit margin of the Group decreased from 19.2% for last year to 12.4% for the year ended 31 December 2014. Decrease in gross profit margin was mainly attributable to the decrease of yarn selling price in China's textile market. As the Group maintained certain volume of cotton inventory and purchase orders, changes in cotton price also resulted in short-term fluctuation in gross profit margin.

For the year ended 31 December 2014, the Group recorded a profit of RMB306.7 million, representing a decrease of 72.8% when compared to last year. The decrease in profit for the year was mainly attributable to the decrease in gross profit margin, the one-off gain on acquisition in 2013 and the exchange losses resulted from depreciation of RMB in this year.

During the year, on one hand, the Group increased its production volume by capitalizing on its production capacities. On the other hand, the Group enhanced sales and expanded market share by adjusting product portfolio in response to the ever-changing market, resulting in a reduction of its inventory level.

The Group has also further strengthened the strategic cooperation with INVISTA North America S.à.r.l ("Invista") and Lenzing Fibers (Shanghai) Co., Ltd. ("Lenzing"). At the same time, the Group has continued to produce different high-end products using the Tencel® fibre, Modal® fibre and Cordura® fibre supplied by Lenzing. The Group has further reinforced cooperative relationship with Toray of Japan. In reaction to market demand, our research and development centre in Changzhou has been improving on product quality and developing products in order to maintain a leading position in the industry and to meet the demand of quality customers for different high-end products.

Prospect

There is fierce competition in China's textile industry, yet the market is immense and highly fragmented. As such, we are confident that the market is embedded with ample room for rapid and sustainable development of enterprises with promising strength. In 2015, the Group will remain focus on extending its reach into the PRC market and consolidate its existing market presence. We will be more determined than ever to enhance our profitability by optimizing the existing product portfolio and developing new products that meet market demand.

As at 31 December 2014, the Group owned a total of approximately 2.16 million spindles, of which approximately 1.17 million and approximately 0.99 million spindles were located in China and Vietnam respectively. Based on a desirable product mix, annual yarn production volume is estimated to reach 500,000 tonnes in 2015. Looking ahead, we will adhere to our established product distribution tactic, which emphasizes on the focused production of cotton yarns and high-volume products in Vietnam as well as the development of customized products and production of synthetic fiber yarns in the PRC. This will enable us to boost our profitability by taking full advantage of our edges in internationalized industrial layout.

In 2015, the Group will build a new production base in Quang Ninh Province, Vietnam. Phase I of the construction with a capacity of approximately 250,000 spindles is expected to be completed by the end of 2015 and to commence commercial production by the first quarter of 2016. Investment cost in 2015 will amount to approximately RMB600 million. New additions and transfers of equipment are expected to offer us access to a capacity of approximately 2,330,000 spindles following completion of the expansion works of Phase I of the project.

Looking ahead, with adherence to a dual-facet strategy that stresses the differentiation of products and the expansion of industrial scale, our management will actively study the feasibility of the extension of downstream business, endeavouring to maintain a high rate of synchronized growth in both revenue and profit. These endeavours will help differentiate us from our peers and place us at the forefront of the industry, creating sustainable values for our shareholders.

FINANCIAL REVIEW

Turnover

The Group's turnover mainly comprises the sales of yarns and grey fabrics. With the commencement of operation of our new production facilities in the PRC and Vietnam, along with the company-wide efforts, the sales of yarn increased by about 33.4% in 2014 as compared to that of 2013. Turnover analyses of the Group by products are shown below.

	2014 *RMB'000*	2013 *RMB'000*	Turnover change between 2014 and 2013
Stretchable core-spun yarns			
— Cotton	**3,372,853**	2,979,582	13.2%
— Denim	**1,277,689**	1,223,721	4.4%
— Synthetic fiber	**691,410**	734,671	-5.9%
Other yarns			
— Cotton	**1,779,430**	860,731	106.7%
— Denim	**1,418,092**	824,713	71.9%
— Synthetic fiber	**1,083,502**	588,407	84.1%
Fabrics			
— Stretchable grey fabrics	**539,313**	699,014	-22.8%
— Other grey fabrics	**161,359**	165,688	-2.6%
— Garment fabrics	**146,673**	152,006	-3.5%
Total	**10,470,321**	8,228,533	27.2%

	Sales Volume		**Selling price**		**Gross profit margin**	
	2014	2013	**2014**	2013	**2014**	2013
Stretchable core-spun yarns (Ton/RMB per ton)						
— Cotton	**138,656**	107,962	**24,325**	27,598	**13.7%**	23.3%
— Denim	**53,418**	47,699	**23,919**	25,655	**16.8%**	24.3%
— Synthetic fiber	**30,873**	30,495	**22,395**	24,092	**13.4%**	15.8%
Other yarns (Ton/RMB per ton)						
— Cotton	**83,610**	33,842	**21,283**	25,434	**9.2%**	14.2%
— Denim	**72,044**	38,224	**19,684**	21,576	**12.6%**	19.3%
— Synthetic fiber	**52,992**	25,877	**20,447**	22,739	**10.0%**	17.6%
Fabrics (Million meters/ RMB per meter)						
— Stretchable grey fabrics	**51.0**	65.2	**10.6**	10.7	**8.5%**	8.7%
— Other grey fabrics	**22.5**	20.5	**7.2**	8.1	**1.9%**	2.7%
— Garment fabrics	**7.5**	7.7	**19.6**	19.7	**16.9%**	16.2%

The Chinese textile market is the Group's major market, accounting for 88% of our total turnover of 2014. The ten largest customers of the Group for 2014 are as follows:

Ningbo Daqian Textile Co., Ltd.
Zhejiang Jiaermei Textile Co., Ltd.
Toray International, Inc.
Shaoguan Shunchang Weaving Factory Co., Ltd.
Zhejiang Limayunshan Textile Co., Ltd.
Yixing Lucky G And L Denim Co., Ltd.
Guangdong Qianjin Jeans Co., Ltd.
Zhejiang Xinhai Textile Co., Ltd.
Zhejiang Lanmian Textile Co., Ltd.
Zhejiang Ruiyu Textile Co., Ltd.

The Group has more than 3,000 customers. As the Group produces differentiated products, the Group does not rely on the orders from any single customer. The ten largest customers only accounted for 17.1% of the total turnover of 2014. The ten largest customers mentioned above have more than 3 years' business relationship with the Group.

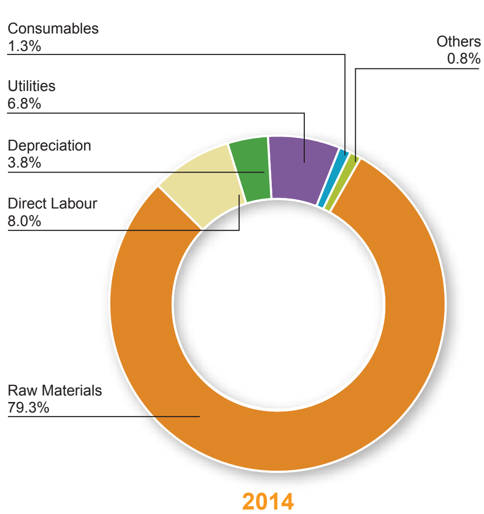
Gross profit and gross profit margin

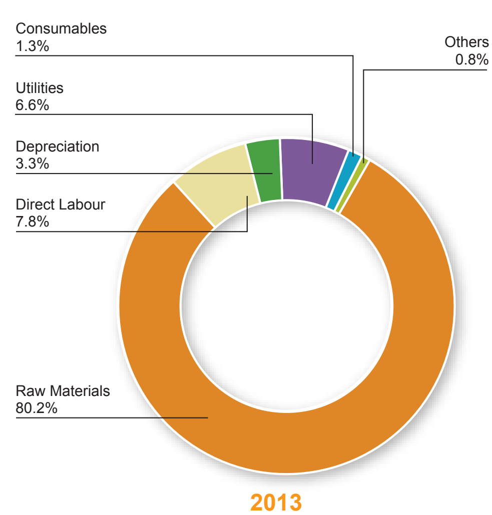
Gross profit of the Group decreased from RMB1,583.4 million to RMB1,294.2 million, representing a decrease of 18.3% as compared to that of 2013. The overall gross profit margin also decreased by 6.8 percentage point to 12.4% as compared to that of 2013. Decrease in gross profit margin was mainly due to the decrease of yarn selling price in China's textile market.

Cost structure

Cost of sales increased by 38.1% to RMB9,176.1 million when compared to that of 2013. Raw material cost accounted for about 79.3% of the total cost of sales of 2014. Cotton is our major raw material.

The breakdown of our cost of sales is shown below:





Selling and distribution costs

For the year ended 31 December 2014, the Group's selling and distribution costs amounted to RMB351.6 million, representing an increase of 50.1% when compared to that of 2013. The increase was attributable to the increase in salaries and transportation costs due to increase in sales volume.

General and administrative expenses

During 2014, the Group's general and administrative expenses increased by 6.5% to RMB328.2 million when compared to that of 2013, which represented 3.1% of the Group's turnover. The increase was mainly due to the increase in salaries and other management costs.

Cash flows

	2014	2013
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,045,410**	729,054
Net cash used in investing activities	**(584,858)**	(941,724)
Net cash (used in)/generated from financing activities	**(285,462)**	601,481
Cash and cash equivalents at end of the year	**1,094,197**	919,107

For the year ended 31 December 2014, net cash generated from operating activities amounted to RMB1,045.4 million, which was mainly contributed by the increase in sales and decrease of working capital. Net cash used in investing activities amounted to RMB584.9 million, which was mainly used for the payment of related capital expenditure. During the year under review, net cash used in financing activities amounted to RMB285.5 million, which was mainly used for repayment of matured bank borrowings and payments of interest expenses and dividends.

Liquidities and financial resources

As at 31 December 2014, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB1,138.2 million (as at 31 December 2013: RMB945.8 million). The Group's inventories decreased by RMB644.2 million to RMB1,636.3 million and our trade and bills receivables increased by RMB356.7 million to RMB1,319.8 million (as at 31 December 2013: RMB2,280.5 million and RMB963.1 million respectively). The inventory turnover days and trade and bills receivable turnover days were 77 days and 39 days respectively, compared to 100 days and 39 days in 2013. Decrease in inventory turnover days was mainly attributable to the growth in sales of yarn, which led to the decrease of finished goods. In addition, we took measures to strengthen our inventory control and the volume of raw materials was effectively reduced as a result.

Trade and bills payables decreased by RMB344.0 million to RMB1,665.6 million as at 31 December 2014 (as at 31 December 2013: RMB2,009.6 million), the payable turnover days was 72 days, compared to 78 days in 2013. Decrease in the payable turnover days was mainly due to our efforts on the raw material procurement control.

The Group increased the total bank borrowings by RM225.6 million to RMB3,015.1 million as at 31 December 2014. Increase in bank borrowings was used in financing the working capital and capital expenditure. Current bank borrowings increased by RMB70.2 million to RMB236.3 million while non-current bank borrowings increased by RMB155.4 million to RMB2,778.8 million.

As at 31 December 2014 and 2013, the Group's financial ratios were as follows:

	2014	2013
Current ratio	**1.76**	1.70
Debt to equity ratio	**0.87**	0.83
Net debt to equity ratio	**0.54**	0.55

Borrowings

As at 31 December 2014, the Group's total bank borrowings amounted to RMB3,015.1 million, among which RMB50 million (1.7%) was denominated in Renminbi and RMB2,965.1 million (98.3%) was denominated in United States dollars ("US$"). These bank borrowings borne interest at rates ranging from 2% to 7.625% per annum (2013: 1.5% to 7.625%).

As at 31 December 2014, the Group has outstanding current bank borrowings of RMB236 million (2013: RMB166 million). Increase in current bank borrowings was used in financing the working capital.

In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants.

Bank borrowings of RMB392.6 million (2013: RMB352.7 million) were secured by the pledge of the Group's land use rights with a net book amount of RMB46.1 million (2013: RMB19.4 million) and the pledge of the Group's property, plant and equipment with a net book amount of approximately RMB393.5 million (2013: RMB287.6 million) as at 31 December 2014.

Foreign exchange risk

The Group mainly operates in the PRC and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in RMB and US$. Foreign exchange risk may arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's exposure to foreign exchange risk is mainly attributable to its borrowings denominated in US$. The Group manages its foreign exchange risks by performing regular reviews and closely monitoring its foreign exchange exposures.

Capital expenditure

For the year ended 31 December 2014, the capital expenditure of the Group amounted to RMB765 million (2013: RMB1,469 million). It was mainly comprised of the investments in fixed assets in Vietnam and Mainland China.

Contingent liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Disclosure pursuant to Rule 13.18 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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 ("Mr. Hong"), 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 2011, by an agreement dated 13 July 2011 ("Facility Agreement") entered into by, among others, Texhong Renze Textile Joint Stock Co. (the "Borrower"), formerly known as "Texhong Vietnam Textile Joint Stock Company", a wholly-owned subsidiary of the Company as borrower, the Company as one of the guarantors and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a term loan facility ("Facility") of up to the aggregate principal amount of US$60 million to finance the Phase III expansion of the Borrower's factory in Vietnam. The Facility shall be fully repaid in July 2018 and is secured by a mortgage of the Borrower's equipment and machinery. The amount of the Facility represents approximately 17% of the total amount of banking/credit facilities (including the Facility) presently available to the Group. The Facility Agreement contains the usual cross default provisions and a further requirement that Mr. Hong shall remain the chief executive officer of the Group, the single largest shareholder of the Company 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 payable. 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 payable.

As announced by the Company on 18 March 2014, the Company entered into a master lease agreement (the "Master Lease Agreement") with Australia And New Zealand Banking Group Limited (the "Lessor"), pursuant to which the Lessor shall from time to time lease and the Company shall take on lease various textile equipment including any accessories, replacements, additions, improvements, attachments, tools, spare parts and any other items to be used with such equipment (the "Equipment") with not more than five individual leases entered into under the Master Lease Agreement. The leases shall be for a maximum term of 84 months commencing from the date of the Master Lease Agreement for Equipment at the principal lease amount not exceeding US$50 million. In addition and as one of the conditions precedent for the Lessor to purchase the Equipment and lease the Equipment to the Company, the Company shall also pay the difference between the purchase price of the Equipment and the principal lease amount as advance rental payments, which was expected to amount to approximately US$23.2 million, together with interest on the lease payment and other fees payable to the Lessor.

The Master Lease Agreement contains an undertaking that the Company shall ensure and procure that Mr. Hong, the chairman and an executive director, shall remain the chairman of the Company. A breach of such requirement will constitute an event of default under the Master Lease Agreement, and as a result, the Lessor shall have the right to, among others, cancel and terminate the Master Lease Agreement and any lease thereunder, demand that the Equipment be returned to the Lessor and declare that all amounts accrued or outstanding under the Master Lease Agreement to be immediately due and payable. The occurrence of such circumstance may also 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 payable.

As at the date of this announcement, the Company is in compliance with the Indentures, the Facility Agreement and the Master Lease Agreement. As of 31 December 2014, the Company repurchased and cancelled in the aggregate notional amount of US$12 million of the 2011 Notes.

Human resources

As at 31 December 2014, the Group had a total workforce of 20,576 (as at 31 December 2013: 20,171), of whom 11,553 were located in the PRC, 9,004 were located at the Group's production base in Vietnam and 19 were based in Hong Kong and Macao. New employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

Dividend policy

The Board intends to maintain a long term, stable dividend payout ratio of about 30% of the Group's net profit for the year, providing shareholders with an equitable return. The Board has resolved to declare a final dividend of 8 HK cents per share in respect of the year ended 31 December 2014 to shareholders whose names appear on the register of member on 30 April 2015 and will be payable on or about 12 May 2015, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 23 April 2015. An interim dividend of 5 HK cents per share was paid by the Company on 10 September 2014.

Closure of register of members

The register of members of the Company will be closed from 21 April 2015 to 23 April 2015, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance at the forthcoming annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar (the "Share Registrar"), Boardroom Share Registrars (HK) Limited, at 31st Floor, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 20 April 2015.

Conditional on the passing of the resolution approving the declaration of the final dividend by the shareholders in the forthcoming annual general meeting of the Company, the register of members of the Company will also be closed on 30 April 2015, during which no transfer of shares can be registered. To qualify for the final dividend to be approved at the annual general meeting of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar at the above address no later than 4:30 p.m. on 29 April 2015.

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

There was no purchase, sale or redemption of the Company's shares by the Company or its subsidiaries during the year ended 31 December 2014.

Corporate governance

The Company 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 (the "Code Provisions") set out in Appendix 14 to the Listing Rules. 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 set out in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the reporting period.

Audit committee

The Company has established an audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 21 November 2004. The Audit Committee comprises three independent non-executive Directors, including Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming and Professor 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 met on a semi-annual basis and the review covers the findings of internal auditors, internal control, risk management and financial reporting matters.

The Audit Committee has discussed with the management and reviewed the annual results for the year ended 31 December 2014.

Nomination committee

The Company has established a nomination committee (the "Nomination Committee") pursuant to a resolution of the Directors passed on 19 March 2012. The Nomination Committee comprises an executive Director and the chairman of the Company, Mr. Hong Tianzhu and three independent non-executive Directors, namely Professor Tao Xiaoming, Professor Cheng Longdi and Mr. Ting Leung Huel, Stephen. The chairman of the Nomination Committee is Mr. Hong Tianzhu. The Nomination Committee has adopted terms of reference which are in line with the Code Provisions. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

Remuneration committee

The Company has established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Directors passed on 21 November 2004. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming and Professor Cheng Longdi and an executive Director and the chairman of the Company, 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.

Publications of results announcement

This results announcement is published on the websites of the Company (www.texhong.com) and the Stock Exchange (www.hkexnews.hk). An annual report for the year ended 31 December 2014 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the year.

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

Hong Kong
16 March 2015

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:	Mr. Hong Tianzhu Mr. Zhu Yongxiang Mr. Tang Daoping Mr. Hui Tsz Wai
Independent non-executive Directors:	Mr. Ting Leung Huel, Stephen Prof. Tao Xiaoming Prof. Cheng Longdi