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 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by 6.2% to RMB4,847 million
- Gross profit margin increased by 3.8 percentage points to 17.0%
- Net profit margin increased by 3.3 percentage points to 6.0%
- Profit attributable to equity holders increased by 134.3% to RMB293 million
- Earnings per share for the period increased by 134.8% to RMB0.331
- The Board declared an interim dividend of 12 HK cents per share

CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Unaudited Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**4,847,327**	4,566,044
Cost of sales	*3*	**(4,023,112)**	(3,962,570)
Gross profit		**824,215**	603,474
Selling and distribution costs	*3*	**(176,187)**	(157,328)
General and administrative expenses	*3*	**(171,886)**	(157,327)
Other income		**3,956**	2,593
Other losses — net		**(26,028)**	(14,205)
Operating profit		**454,070**	277,207
Finance income	*4*	**8,462**	1,578
Finance costs	*4*	**(111,996)**	(145,331)
Share of profit of an associate		**1,186**	1,200
Profit before income tax		**351,722**	134,654
Income tax expense	*5*	**(58,765)**	(9,618)
Profit for the period		**292,957**	125,036
Profit attributable to:			
Owners of the Company		**292,957**	125,036
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	*6*	**RMB0.331**	RMB0.141
Diluted earnings per share	*6*	**RMB0.331**	RMB0.141
Dividends	*7*	**83,720**	35,122

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2015** *RMB'000*	Audited 31 December 2014 *RMB'000*
ASSETS			
Non-current assets			
Freehold land and land use rights		**419,658**	384,753
Property, plant and equipment		**4,025,311**	4,157,691
Investment in an associate		**60,732**	59,546
Deferred income tax assets		**155,017**	151,654
Total non-current assets		**4,660,718**	4,753,644
Current assets			
Inventories	*8*	**2,091,931**	1,636,261
Trade and bills receivables	*9*	**1,449,523**	1,319,756
Prepayments, deposits and other receivables		**275,650**	290,663
Pledged bank deposits		**53,332**	44,025
Cash and cash equivalents		**956,193**	1,094,197
Total current assets		**4,826,629**	4,384,902
Total assets		**9,487,347**	9,138,546
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares		**94,064**	94,064
Share premium		**189,218**	189,218
Other reserves		**479,690**	480,049
Retained earnings			
— Proposed dividend		**83,720**	55,848
— Others		**2,847,329**	2,635,453
Total equity		**3,694,021**	3,454,632

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**1,612,161**	2,778,806
Deferred income tax liabilities		**82,171**	75,827
Finance lease obligations		**279,899**	338,334
Total non-current liabilities		**1,974,231**	3,192,967
Current liabilities			
Trade and bills payables	*10*	**1,848,209**	1,665,591
Accruals and other payables		**390,977**	441,593
Current income tax liabilities		**27,859**	4,221
Borrowings		**1,416,992**	236,316
Derivative financial instruments	*11*	**18,785**	26,851
Finance lease obligations		**116,273**	116,375
Total current liabilities		**3,819,095**	2,490,947
Total liabilities		**5,793,326**	5,683,914
Total equity and liabilities		**9,487,347**	9,138,546
Net current assets		**1,007,534**	1,893,955
Total assets less current liabilities		**5,668,252**	6,647,599

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, PO 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 10 August 2015.

This condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with HKFRSs.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

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

(a) New amendments adopted by the Group

The following amendments to exiting standards are mandatory for the first time for the financial year beginning on 1 January 2015.

Amendment to HKAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 July 2014. It applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

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 annual periods beginning on or after 1 July 2014:

- Amendments to HKFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- Amendment to HKAS 16 'Property, Plant and Equipment' and HKAS 38 'Intangible Assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- Amendment to HKAS 24 'Related Party Disclosures' does not require to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires to disclose the amounts charged to the reporting entity by the management entity for services provided

Annual improvements 2013 include the following changes from the 2011–2013 cycle of the annual improvements project, are effective for annual periods beginning on or after 1 July 2014:

- Amendment to HKFRS 3 'Business Combinations' clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

- Amendment to HKFRS 13 'Fair Value Measurement' clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

- Amendment to HKAS 40 'Investment Property' requires preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

The adoption of the above new amendments starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the six month ended 30 June 2015.

(b) New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2015 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 2015, and have not been early adopted by the Group in preparing this condensed consolidated interim financial information. 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:

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

Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operation', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 '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 'Agriculture: Bearer Plants', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 '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.

Amendment to HKAS 27 'Equity Method in Separate Financial Statements', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 1 'Disclosure Initiative', effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect 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.

HKFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

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

2. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics and garment fabrics. Revenue recognised for the period 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 2015 is as follows:

	Unaudited Six months ended 30 June 2015								
	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	**3,719,768**	**2,107,006**	**4,414,224**	**7,358**	**–**	**–**	**266,445**	**75,009**	**10,589,810**
Inter-segment revenue	**(101,044)**	**(2,029,591)**	**(3,604,490)**	**(7,358)**	**–**	**–**	**–**	**–**	**(5,742,483)**
Revenue (from external customers)	**3,618,724**	**77,415**	**809,734**	**–**	**–**	**–**	**266,445**	**75,009**	**4,847,327**
Segment results	**163,030**	**157,522**	**137,882**	**(970)**	**(189)**	**(296)**	**16,125**	**9,264**	**482,368**
Unallocated expenses									**(28,298)**
Operating results									**454,070**
Finance income									**8,462**
Finance costs									**(111,996)**
Share of profit of an associate									**1,186**
Income tax expense									**(58,765)**
Profit for the period									**292,957**
Depreciation and amortisation	**(98,611)**	**(120,010)**	**(21)**	**(14)**	**–**	**(24)**	**(7,114)**	**(9)**	**(225,803)**

The segment information for the six months ended 30 June 2014 is as follows:

	Unaudited Six months ended 30 June 2014								
	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	3,359,603	1,921,097	4,109,302	51,245	–	–	325,137	66,759	9,833,143
Inter-segment revenue	(268,554)	(1,862,964)	(3,087,261)	(48,320)	–	–	–	–	(5,267,099)
Revenue (from external customers)	3,091,049	58,133	1,022,041	2,925	–	–	325,137	66,759	4,566,044
Segment results	(14,329)	61,046	227,261	4	(459)	(780)	2,569	2,708	278,020
Unallocated expenses									(813)
Operating results									277,207
Finance income									1,578
Finance costs									(145,331)
Share of profit of an associate									1,200
Income tax expense									(9,618)
Profit for the period									125,036
Depreciation and amortisation	(84,933)	(89,297)	(34)	(61)	–	(32)	(9,332)	(833)	(184,522)

The segment assets and liabilities as at 30 June 2015 are as follows:

	Unaudited As at 30 June 2015									
	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	**5,228,257**	**3,156,037**	**416,053**	**1,612**	**9,755**	**31,875**	**8,843,589**	**490,484**	**120,403**	**9,454,476**
Unallocated assets										**32,871**
Total assets of the Group										**9,487,347**
Total segment liabilities							**(3,343,707)**	**(33,053)**	**(11,445)**	**(3,388,205)**
Unallocated liabilities										**(2,405,121)**
Total liabilities of the Group										**(5,793,326)**
Capital expenditure	**28,447**	**99,578**	**–**	**8**	**–**	**–**	**128,033**	**976**	**–**	**129,009**

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

	Audited As at 31 December 2014									
	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	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

3. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories	**3,122,803**	3,155,051
Employment costs	**493,074**	461,131
Utilities	**300,536**	283,952
Depreciation and amortisation	**225,803**	184,522
Transportation	**116,139**	103,076
Reversal of provision for decline in the value of inventories	**(4,779)**	–

4. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest expense		
— borrowings wholly repayable within five years	**108,593**	116,319
— borrowings wholly repayable after five years	**166**	261
— finance lease obligations	**6,519**	5,237
	115,278	121,817
Exchange (gains)/losses on financing activities	**(3,282)**	27,547
Less: amount capitalised in property, plant and equipment	**–**	(4,033)
Finance costs — net	**111,996**	145,331
Finance income — interest income on bank deposits	**(8,462)**	(1,578)
Net finance costs	**103,534**	143,753

5. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
— Mainland China and Vietnam enterprise income tax	**55,784**	27,764
Deferred income tax	**2,981**	(18,146)
	58,765	9,618

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to income tax at rate of 16.5% (2014: 16.5%).

(ii) 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% (2014: 25%).

(iii) Vietnam income tax

Subsidiaries established in Vietnam are subject to income tax at rate of 22% (2014: 22%).

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 period (2014: nil to 22%).

(iv) Other income 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 at the rate of 9% (2014: 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 (2014: nil).

The subsidiary established in Uruguay is subject to income tax at the rate of 25% (2014: 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 (2014: nil).

The subsidiary established in Turkey is subject to income tax at the rate of 20% (2014: 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 (2014: nil).

6. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2015	2014
Profit attributable to owners of the Company *(RMB'000)*	**292,957**	125,036
Weighted average number of ordinary shares in issue *(thousands)*	**884,681**	884,681
Basic earnings per share *(RMB per share)*	**0.331**	0.141

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2015	2014
Profit attributable to owners of the Company *(RMB'000)*	**292,957**	125,036
Weighted average number of ordinary shares in issue *(thousands)*	**884,681**	884,681
Adjustments for:		
— Share options *(thousands)*	**58**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**884,739**	884,681
Diluted earnings per share *(RMB per share)*	**0.331**	0.141

7. DIVIDENDS

A dividend of RMB55,848,000 that related to the year ended 31 December 2014 was paid in May 2015 (2014: RMB196,608,000).

In addition, an interim dividend of HKD0.12 per share (2014: HKD0.05 per share) was proposed by the board of directors on 10 August 2015. It will be payable on or about 10 September 2015 to shareholders whose names are on the register on 28 August 2015. This interim dividend, amounting to RMB83,720,000 (2014: RMB35,122,000), 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 2015.

8. INVENTORIES

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Raw materials	**1,302,702**	879,037
Work-in-progress	**69,150**	70,303
Finished goods	**720,079**	686,921
	2,091,931	1,636,261

9. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Trade receivables	**239,155**	217,647
Less: provision for impairment	**(8,927)**	(10,294)
	230,228	207,353
Bills receivable	**1,219,295**	1,112,403
	1,449,523	1,319,756

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 is as follows:

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Within 30 days	**806,535**	622,543
31 to 90 days	**406,509**	501,784
91 to 180 days	**197,388**	195,691
181 days to 1 year	**40,150**	2,938
Over 1 year	**7,868**	7,094
	1,458,450	1,330,050
Less: provision for impairment	**(8,927)**	(10,294)
Trade and bills receivables — net	**1,449,523**	1,319,756

10. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Trade payables	**221,264**	185,095
Bills payable	**1,626,945**	1,480,496
	1,848,209	1,665,591

As at 30 June 2015, included in the trade payables was an amount due to an associate of RMB 222,000 (31 December 2014: RMB108,000).

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

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Within 90 days	**1,243,562**	1,028,553
91 to 180 days	**412,911**	408,766
181 days to 1 year	**8,625**	3,954
Over 1 year	**183,111**	224,318
	1,848,209	1,665,591

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Liabilities:		
Interest rate swap contracts	**18,785**	26,851

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

The interest rate swap contracts as at 30 June 2015 comprised five contracts with notional principal amounts totalling RMB1,668,328,000 (31 December 2014: five contracts with notional principal amounts totalling RMB1,742,932,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are pleased to present the results of the Group for the six months ended 30 June 2015 to our shareholders. During the period under review, the Group's revenue increased by 6.2% to RMB4,847.3 million when compared to the corresponding period last year. The increase was mainly attributable to the growth in yarn's sales volume. Profit attributable to equity holders for the six months ended 30 June 2015 increased by 134.3% to RMB293.0 million when compared to the corresponding period last year. Earnings per share also increased to RMB0.331 from RMB0.141 for the corresponding period last year. The increase in the profit attributable to equity holders was mainly due to the strong sales volume of yarns and the drop in cotton cost, which was more substantial than the decline in the selling prices of yarns.

INDUSTRY REVIEW

In the first half of 2015, the Chinese cotton textile industry saw a relatively stable market demand with modest adjustment to raw material and product prices compared to the corresponding period last year, easing the hardship faced by domestic cotton spinning enterprises in the previous year. With adjustment in product structure and lower raw material cost of textile enterprises, business environment of the cotton textile industry generally improved from the corresponding period last year.

In addition, backed by favourable state policies, investment by cotton textile enterprises in Xinjiang has seen rapid growth recently. It is expected to create a new landscape of the cotton textile industry.

In light of the "One Belt One Road" initiative, textile export is expected to grow. Notwithstanding that the export in textiles and garments had decreased for three consecutive months from March 2015, the extent of contraction was at a decelerating rate.

According to the statistics from the General Administration of Customs, the aggregate export of textiles and garments (in US dollars) from January to May 2015 was US$103.04 billion, representing a decrease of 3.5%. Among them, US$43.45 billion was attributable to textiles export and US$59.59 billion to garments export, decreased by 1.3% and 5.1% respectively. With respect to production volume, from January to May 2015, production volume of yarns, fabrics and synthetic fibers amounted to 15.126 million tonnes, 26.91 billion meters and 18.85 million tonnes respectively, representing a year-on-year growth of 2.1%, 3.7% and 11% respectively.

BUSINESS REVIEW

For the period under review, the revenue of the Group was RMB4,847.3 million, representing an increase of 6.2% when compared to the corresponding period last year. Revenue 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 revenue of RMB4,505.9 million during the six months ended 30 June 2015, accounting for 93.0% of the Group's total revenue. The increase was mainly driven by sales volume growth. New capacity of approximately 258,000 spindles for the second phase of the Northern Vietnam production plant commenced full production in the second half of 2014. Driven by production expansion, the Group's yarn sales volume increased by 18.6% to a record high of about 217,000 tonnes for the six months ended 30 June 2015. 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:

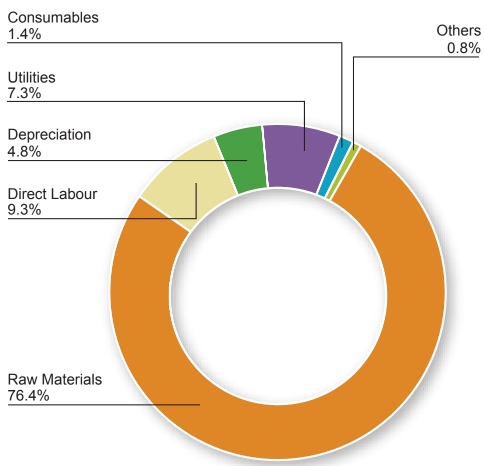
	January to June 2015	**Gross profit margin**	January to June 2014	Gross profit margin	**Revenue change between 2015 and 2014**	**Margin change between 2015 and 2014**
	RMB'000		*RMB'000*			*Percentage points*
Stretchable core-spun yarns						
— Cotton	**1,439,180**	**18.0%**	1,435,243	14.6%	**0.3%**	**3.4**
— Denim	**631,820**	**21.3%**	605,119	18.1%	**4.4%**	**3.2**
— Synthetic fiber	**357,158**	**13.6%**	329,413	15.8%	**8.4%**	**–2.2**
Other yarns						
— Cotton	**844,735**	**18.7%**	751,258	8.1%	**12.4%**	**10.6**
— Denim	**669,886**	**16.3%**	587,006	13.1%	**14.1%**	**3.2**
— Synthetic fiber	**563,094**	**12.5%**	466,109	13.4%	**20.8%**	**–0.9**
Fabrics						
— Stretchable grey fabrics	**223,126**	**10.9%**	244,914	7.7%	**–8.9%**	**3.2**
— Other grey fabrics	**43,319**	**10.3%**	80,223	1.7%	**–46.0%**	**8.6**
— Garment fabrics	**75,009**	**21.0%**	66,759	17.6%	**12.4%**	**3.4**
Total	**4,847,327**	**17.0%**	4,566,044	13.2%	**6.2%**	**3.8**

	Sales Volume		**Sales Volume change**	**Selling price**		**Selling price change**
	January to June 2015	January to June 2014	**between 2015 and 2014**	**January to June 2015**	January to June 2014	**between 2015 and 2014**
Stretchable core-spun yarns (Ton/RMB per ton)						
— Cotton	**62,878**	58,082	**8.3%**	**22,888**	24,711	**–7.4%**
— Denim	**27,837**	24,871	**11.9%**	**22,697**	24,330	**–6.7%**
— Synthetic fiber	**16,232**	14,536	**11.7%**	**22,003**	22,662	**–2.9%**
Other yarns (Ton/RMB per ton)						
— Cotton	**44,858**	34,371	**30.5%**	**18,831**	21,857	**–13.8%**
— Denim	**37,119**	28,809	**28.8%**	**18,047**	20,376	**–11.4%**
— Synthetic fiber	**28,031**	22,241	**26.0%**	**20,088**	20,957	**–4.1%**
Fabrics (Million meters/RMB per meter)						
— Stretchable grey fabrics	**21.4**	22.7	**–5.7%**	**10.4**	10.8	**–3.7%**
— Other grey fabrics	**6.8**	10.6	**–35.8%**	**6.4**	7.6	**–15.8%**
— Garment fabrics	**4.1**	3.4	**20.6%**	**18.3**	19.6	**–6.6%**

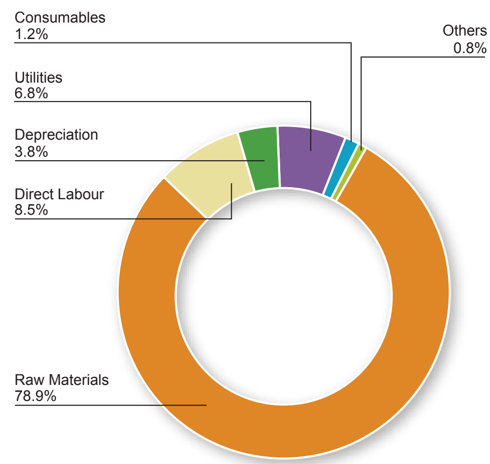
The overall gross profit margin of the Group's products increased from 13.2% for the six months ended 30 June 2014 to 17.0% for the six months ended 30 June 2015. Increase in gross profit margin was mainly because the drop in cotton cost was more substantial than the decline in the selling prices of yarns.

Cost of sales increased by 1.5% to RMB4,023.1 million when compared to the corresponding period last year. Raw material cost accounted for about 76.4% of the total cost of sales for the six months ended 30 June 2015. Cotton is our major raw material.

The breakdown of our cost of sales is shown below:



January to June 2015



January to June 2014

The Group will continue to implement our established corporate strategies, optimize product mix and develop new products that meet the market trends and needs. We will further improve our financial performance by taking full advantage of the existing international presence of our production operation.

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.

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 2015, which accounted for 19.8% of the total revenue of the Group, are as follows:

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

PROSPECT

In light of the prevailing state policies and demand and supply conditions in the market, cotton price is expected to remain relatively stable in 2015 when compared to last year. Stable cotton price will bring a positive effect to the selling prices of yarns and gross profit of yarn enterprises.

With regard to the Group's expansion plan for 2015, the yarn production base for the Vietnam Galaxy project with capacity of approximately 250,000 spindles is expected to commence installation in the second half of this year. Moreover, the new yarn project under joint venture in Xinjiang will also commence construction in the second half of this year. These two projects are expected to be put into commercial production in 2016. Such investment will require a total capital of approximately RMB800 million in 2015.

With regard to downstream business expansion, we are planning to build an integrated platform in Vietnam for downstream industry chain by business acquisition, cooperation with other enterprises and recruiting relevant professionals in China. Subject to the final determination of the Board, it is expected that the related investment will be approximately RMB600 million in 2016.

On 8 July 2015, the Group was named as one of the "Top 500 Companies in China 2015" by Fortune, an internationally renowned magazine, a proof that the Group's continuing expansion and its mode of business had successfully gained broad recognition. The Group will dedicate its unremitting efforts to strive for even better operating results in order to bring long term and sustainable return for the shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2015, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB1,009.5 million (as at 31 December 2014: RMB1,138.2 million).

As at 30 June 2015, the Group's inventories increased by RMB455.6 million to RMB2,091.9 million (as at 31 December 2014: RMB1,636.3 million), and trade and bills receivables increased by RMB129.7 million to RMB1,449.5 million (as at 31 December 2014: RMB1,319.8 million). The inventory turnover days and trade and bills receivable turnover days were 83 days and 51 days respectively, as compared to 77 days and 39 days respectively as at 31 December 2014. Increase in inventory turnover days was mainly due to the reason that cotton inventory of the Group at the end of 2014 was lower than its normal level. Increase in trade and bills receivable turnover days were mainly because fewer bills receivables were discounted due to adequate cash flow during the six months ended 30 June 2015. Trade and bills payable increased to RMB1,848.2 million (as at 31 December 2014: RMB1,665.6 million). The increase was mainly due to financing of the increase in raw material purchases.

The Group's borrowings increased by RMB14.1 million to RMB3,029.2 million, mainly due to the new bank borrowings in Vietnam and Mainland China, which were used as working capital and capital expenditures of the Group (as at 31 December 2014: RMB3,015.1 million). Current bank borrowings increased by RMB1,180.7 million to RMB1,417.0 million, which was mainly because of the reclassification of the 2011 Notes due in January 2016.

As at 30 June 2015, the Group's financial ratios were as follows:

	30 June 2015	31 December 2014
Current ratio	**1.26**	1.76
Debt to equity ratio[1]	**0.82**	0.87
Net debt to equity ratio[2]	**0.55**	0.54

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

Capital expenditure

For the six months ended 30 June 2015, the capital expenditure of the Group amounted to approximately RMB129.0 million (for the six months ended 30 June 2014: RMB651 million), which was mainly related to the investments in newly added production capacity in Vietnam and the maintenance and upgrading of fixed assets in Mainland China.

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, 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 ("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 ("2011 Facility") of up to the aggregate principal amount of US$60 million for our expansion of the Phase III project in Vietnam. The 2011 Facility shall be fully repayable in July 2018 and is secured by a mortgage of the Borrower's equipment and machinery. The 2011 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 2011 Facility Agreement, and as a result, the 2011

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 announced by the Company on 18 March 2014, by a master lease agreement dated 18 March 2014 ("Master Lease Agreement") entered into between Australia And New Zealand Banking Group Limited ("Lessor") as lessor, the Company as lessee and certain subsidiaries of the Company as guarantors, the Lessor shall from time to time lease and the Company shall take on lease various textile equipment ("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 is 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 Tianzhu, 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 announced by the Company on 18 May 2015, by an agreement dated 18 May 2015 ("2015 Facility Agreement") entered into by, among others, the Company as borrower and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a term loan facility ("2015 Facility") of up to the aggregate principal amount of US$110 million. The purpose is for all amounts borrowed under the 2015 Facility to be applied towards any refinancing, repayment, redemption, purchase or repurchase of the 2011 Notes due in January 2016 issued by the Company, in whole or part, at or before their maturity. The 2015 Facility shall be fully repaid in May 2018 and is guaranteed by certain subsidiaries of the Company. The 2015 Facility Agreement contains the usual cross default provisions and a further requirement that Mr. Hong Tianzhu shall be and continue to be the chairman of the Board, directly or indirectly beneficially own not less than 25% of the total voting shares issued by the Company, and be and remain the single largest holder of the voting shares issued by the Company. A breach of such requirement will constitute an event of default under the 2015 Facility Agreement, and as a result, the 2015 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 at the date of this announcement, the Company is in compliance with the Indentures, the 2011 Facility Agreement, the Master Lease Agreement and the 2015 Facility agreement. As of 30 June 2015, the Company cancelled notional amount of US$12 million of the 2011 Notes.

Pledge of assets

As at 30 June 2015, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB418.7 million (as at 31 December 2014: RMB439.5 million) and post dated bank drafts amounted to RMB78.1 million (as at 31 December 2014: nil) were pledged to secure for banking facilities for the purposes of purchases of fixed assets and working capital for the Group respectively.

Human resources

As at 30 June 2015, the Group had a total workforce of 20,490 employees (as at 31 December 2014: 20,576 employees), of whom 11,555 employees were based in the regional headquarters in Shanghai and our manufacturing plants in Mainland China. The remaining 8,935 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 12 HK cents per share for the six months ended 30 June 2015 to shareholders whose names appear on the register of shareholders of the Company in Hong Kong on 28 August 2015.

Closure of register of members

The register of members of the Company will be closed from 27 August 2015 to 28 August 2015, 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 10 September 2015), 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 26 August 2015.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had 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 (the "Code Provisions") set out in Appendix 14 to the 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 (the "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, Professor Tao Xiaoming 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 2015.

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, Professor Tao Xiaoming 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, Professor Tao Xiaoming 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, 10 August 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:	Prof. Cheng Longdi Prof. Tao Xiaoming Mr. Ting Leung Huel, Stephen