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 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by 1.0% to RMB10.57 billion.
- Gross profit margin increased by 5.6 percentage point to 18.0%.
- Net profit margin increased by 2.7 percentage point to 5.6%.
- Profit attributable to shareholders increased by 92.6% to RMB590.8 million.
- Earnings per share increased to RMB0.67.

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 2015, together with the comparative figures for 2014.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	**Year ended 31 December** **2015** ***RMB'000***	2014 *RMB'000*
Revenue	*2*	**10,574,854**	10,470,321
Cost of sales	*4*	**(8,669,022)**	(9,176,107)
Gross profit		**1,905,832**	1,294,214
Selling and distribution costs	*4*	**(368,989)**	(351,612)
General and administrative expenses	*4*	**(380,865)**	(328,235)
Other income	*3*	**10,196**	15,633
Other losses — net	*3*	**(15,748)**	(30,066)
Operating profit		**1,150,426**	599,934
Finance income	*5*	**12,775**	4,836
Finance costs	*5*	**(431,515)**	(253,840)
Finance costs — net	*5*	**(418,740)**	(249,004)
Share of profit of an associate		**4,128**	4,020
Profit before income tax		**735,814**	354,950
Income tax expense	*6*	**(146,846)**	(48,229)
Profit for the year		**588,968**	306,721
Attributable to:			
Owners of the Company		**590,826**	306,721
Non-controlling interests		**(1,858)**	–
		588,968	306,721
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	*7*	**RMB0.67**	RMB0.35
— Diluted earnings per share	*7*	**RMB0.67**	RMB0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**588,968**	306,721
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(1,024)**	(777)
Total comprehensive income for the year	**587,944**	305,944
Attributable to:		
Owners of the Company	**589,802**	305,944
Non-controlling interests	**(1,858)**	–
	587,944	305,944

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Freehold land and land use rights		**551,618**	384,753
Property, plant and equipment		**4,997,844**	4,157,691
Investment in an associate		**63,674**	59,546
Deferred income tax assets		**160,731**	151,654
		5,773,867	4,753,644
Current assets			
Inventories	*9*	**1,893,107**	1,636,261
Trade and bills receivables	*10*	**1,031,779**	1,319,756
Prepayments, deposits and other receivables		**453,572**	290,663
Derivative financial instruments	*12*	**61,087**	–
Pledged bank deposits		**247,663**	44,025
Cash and cash equivalents		**1,940,022**	1,094,197
		5,627,230	4,384,902
Total assets		**11,401,097**	9,138,546
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**94,064**	94,064
Share premium		**189,218**	189,218
Other reserves		**509,922**	480,049
Retained earnings		**3,117,951**	2,691,301
		3,911,155	3,454,632
Non-controlling interests		**27,414**	–
Total equity		**3,938,569**	3,454,632

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**2,505,306**	2,778,806
Deferred income tax liabilities		**96,341**	75,827
Finance lease obligations		**235,546**	338,334
		2,837,193	3,192,967
Current liabilities			
Trade and bills payables	*11*	**2,294,638**	1,665,591
Accruals and other payables		**618,767**	441,593
Current income tax liabilities		**27,988**	4,221
Borrowings		**1,547,754**	236,316
Derivative financial instruments	*12*	**12,688**	26,851
Finance lease obligations		**123,500**	116,375
		4,625,335	2,490,947
Total liabilities		**7,462,528**	5,683,914
Total equity and liabilities		**11,401,097**	9,138,546

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 sales of yarn, grey fabrics and garment fabrics as well as garments.

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.

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2015 but are extracted from those financial statements.

The consolidated financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements have been approved and authorised for issue by the Board of Directors of the Company on 8 March 2016.

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with all applicable 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 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 of HKFRS adopted by the Group in 2015

The following amendments to existing standards has been adopted by the Group 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.

- Amendments 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, and 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' clarifies the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new amendments did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and amendments of HKFRS issued but are not 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 the 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:

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 Operations', 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', originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

Amendment to HKAS 27 'Equity Method in Separate Financial Statements', 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.

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.

HKFRS 15 '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

(i) Revenue

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics and garment fabrics as well as garments. 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 as well as garments which is a new business in 2015 undertaken by the Group's garment fabrics entities. The operations are further evaluated on a geographic basis including Mainland China (and Hong Kong), Vietnam, Macao and a new location Cambodia. Previously Hong Kong, Uruguay and Turkey were also regarded as separate geographic segments under the yarn operating segment. Starting from 2015, due to a change in the Group's operating strategies, the Group has decided not to allocate further resources in the near future to the entities in Uruguay and Turkey, which are at their start-up stage and very small. Accordingly these two locations are grouped under unallocated category. For Hong Kong, the operating scale has significantly reduced and therefore it is grouped together with Mainland China which closely interacts with Hong Kong. Comparative segment information has been restated.

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 2015 is as follows:

	Year ended 31 December 2015						
	Yarn			**Garment fabrics and garments**		**Grey fabrics**	**Total**
	Mainland China and Hong Kong *RMB'000*	**Vietnam** *RMB'000*	**Macao** *RMB'000*	**Mainland China** *RMB'000*	**Cambodia** *RMB'000*	**Mainland China** *RMB'000*	*RMB'000*
Total revenue	**8,205,466**	**4,434,832**	**8,730,751**	**186,609**	**7,463**	**545,381**	**22,110,502**
Inter-segment revenue	**(283,369)**	**(4,258,440)**	**(6,993,839)**	**–**	**–**	**–**	**(11,535,648)**
Revenue (from external customers)	**7,922,097**	**176,392**	**1,736,912**	**186,609**	**7,463**	**545,381**	**10,574,854**
Segment results	**494,003**	**285,237**	**356,380**	**2,472**	**(1,093)**	**30,138**	**1,167,137**
Unallocated expenses							**(16,711)**
Operating profit							**1,150,426**
Finance income							**12,775**
Finance costs							**(431,515)**
Share of profit of an associate							**4,128**
Income tax expense							**(146,846)**
Profit for the year							**588,968**
Depreciation and amortisation	**(204,372)**	**(236,189)**	**(110)**	**(61)**	**(365)**	**(13,469)**	**(454,566)**

The restated segment information for the year ended 31 December 2014 is as follows:

	Year ended 31 December 2014 (Restated)					
	Yarn			Garment fabrics	Grey fabrics	Total
	Mainland China and Hong Kong *RMB'000*	Vietnam *RMB'000*	Macao *RMB'000*	Mainland China *RMB'000*	Mainland China *RMB'000*	*RMB'000*
Total revenue	7,961,079	4,575,798	8,621,247	146,673	700,672	22,005,469
Inter-segment revenue	(590,871)	(4,446,424)	(6,497,853)	–	–	(11,535,148)
Revenue (from external customers)	7,370,208	129,374	2,123,394	146,673	700,672	10,470,321
Segment results	(2,799)	252,481	353,146	6,500	12,842	622,170
Unallocated expenses						(22,236)
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	(173,397)	(204,540)	(57)	(1,220)	(18,571)	(397,785)

The segment assets and liabilities as at 31 December 2015 are as follows:

	As at 31 December 2015							
	Yarn				Garment fabrics and garments		Grey fabrics	Total
	Mainland China and Hong Kong	Vietnam	Macao	Sub-total	Mainland China	Cambodia	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	**5,967,218**	**3,701,032**	**877,756**	**10,546,006**	**119,701**	**48,609**	**420,400**	**11,134,716**
Unallocated assets								**266,381**
Total assets of the Group								**11,401,097**
Total segment liabilities				**(4,351,356)**	**(47,555)**	**(10,752)**	**(36,957)**	**(4,446,620)**
Unallocated liabilities								**(3,015,908)**
Total liabilities of the Group								**(7,462,528)**
Capital expenditure	**749,805**	**575,848**	**–**	**1,325,653**	**1,958**	**12**	**3,049**	**1,330,672**

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

	As at 31 December 2014 (Restated)						
	Yarn				Garment fabrics	Grey fabrics	Total
	Mainland China and Hong Kong	Vietnam	Macao	Sub-total	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	4,922,184	3,070,828	415,801	8,408,813	120,294	539,399	9,068,506
Unallocated assets							70,040
Total assets of the Group							9,138,546
Total segment liabilities				(3,163,489)	(13,001)	(34,279)	(3,210,769)
Unallocated liabilities							(2,473,145)
Total liabilities of the Group							(5,683,914)
Capital expenditure	133,771	622,352	30	756,153	–	8,454	764,607

3. OTHER INCOME AND OTHER LOSSES, NET

	2015	2014
	RMB'000	*RMB'000*
Other income		
Subsidy income (a)	**10,196**	15,633
Other losses — net		
Gains on acquisition of subsidiaries	**69,224**	–
Derivative financial instruments at fair value through profit or loss:		
— Realised profits	**1,476**	1,777
— Unrealised profits/(losses)	**6,106**	(2,785)
Net foreign exchange losses	**(94,523)**	(34,251)
Loss from Notes repurchase	**(4,297)**	–
Others	**6,266**	5,193
Total other losses — net	**(15,748)**	(30,066)

(a) The subsidy income mainly related to incentives for development in Xuzhou, Shandong 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

	2015	2014
	RMB'000	*RMB'000*
Raw materials and consumables used	**6,692,651**	7,187,630
Changes in inventories of finished goods and work in progress	**119,689**	224,692
Employment benefit expenses	**994,076**	910,503
Depreciation and amortisation	**454,566**	397,785
Losses on disposal of property, plant and equipment	**3,544**	1,884
Office expenses	**69,408**	57,725
Utilities	**652,350**	622,927
Transportation costs	**241,555**	232,972
Auditor's remuneration		
— Annual audit (2014: and special purpose interim reviews) services	**3,848**	3,700
— Non-audit services	**520**	400
Rental expenses for buildings and machinery	**42,267**	25,172
(Reversal)/accrual of provision for impairment of trade receivables	**(2,299)**	8,725
Reversal of provision for decline in the value of inventories	**(2,213)**	(1,597)
Other expenses	**148,914**	183,436
Total cost of sales, selling and distribution costs and general and administrative expenses	**9,418,876**	9,855,954

5. FINANCE INCOME AND COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest expenses — borrowings	**228,374**	234,957
Interest expenses — finance lease obligations	**10,942**	13,652
	239,316	248,609
Exchange losses on financing activities	**196,395**	9,264
Less: amount capitalised in property, plant and equipment	**(4,196)**	(4,033)
Finance costs — net	**431,515**	253,840
Finance income — interest income on bank deposits	**(12,775)**	(4,836)
Net finance costs	**418,740**	249,004

6. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current tax on profits for the year	**138,548**	65,024
Adjustment in respect of prior years	**(2,425)**	48
Deferred income tax	**10,723**	(16,843)
	146,846	48,229

(a) Hong Kong profits tax

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

(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 (2014: 25%).

(c) 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 year (2014: nil to 22%).

(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% (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 year (2014: nil).

The subsidiary established in Uruguay is subject to income tax 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 year (2014: 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 (2014: nil).

The newly acquired subsidiary in Cambodia during the year is subject to profits tax at rate of 20%. As approved by relevant Tax Bureau in Cambodia, the subsidiary is entitled to a preferential tax rate of 0% during the year.

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.

	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**590,826**	306,721
Weighted average number of ordinary shares in issue (thousands)	**884,681**	884,681
Basic earnings per share (RMB per share)	**0.67**	0.35

(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. The Company did not have any dilutive shares in 2014 but the share options issued in 2015 constitute dilutive 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.

For the year ended 31 December 2015, as the average annual market share price of the Company's shares was lower than the subscription price, the impact of exercise of the share options on earnings per share is anti-dilutive.

For the year ended 31 December 2014, diluted earnings per share was the same as the basic earnings per share since the Company did not have dilutive shares.

8. DIVIDENDS

The dividend paid in 2015 were RMB143,177,000 (2014: RMB231,730,000), being HKD0.20 per ordinary share (2014: HKD0.33 per ordinary share). A proposed final dividend in respect of the year ended 31 December 2015 of HKD0.12 (31 December 2014: HKD0.08) per share, amounting to a total dividend of RMB88,942,000 (2014: RMB55,848,000) is to be presented for approval at the annual general meeting of the Company on 18 April 2016. These financial statements do not reflect this as dividend payable.

	2015	2014
	RMB'000	*RMB'000*
Interim dividend paid of HKD0.12 (2014: HKD0.05) per ordinary share	**87,329**	35,122
Proposed final dividend of HKD0.12 (2014: HKD0.08) per ordinary share	**88,942**	55,848
	176,271	90,970

9. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**1,255,572**	879,037
Work-in-progress	**66,008**	70,303
Finished goods	**571,527**	686,921
	1,893,107	1,636,261

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB6,812,340,000 (2014: RMB7,412,322,000).

In 2015, the Group reversed an inventory provision of approximately RMB2,213,000 (2014: RMB1,597,000). These amounts have been included in 'cost of sales' in the consolidated income statement.

10. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**312,214**	217,647
Less: provision for impairment	**(7,995)**	(10,294)
	304,219	207,353
Bills receivable	**727,560**	1,112,403
	1,031,779	1,319,756

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:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**600,610**	622,543
31 to 90 days	**355,858**	501,784
91 to 180 days	**74,278**	195,691
181 days to 1 year	**1,002**	2,938
Over 1 year	**8,026**	7,094
	1,039,774	1,330,050
Less: provision for impairment	**(7,995)**	(10,294)
Trade and bills receivables — net	**1,031,779**	1,319,756

11. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**184,473**	185,095
Bills payable	**2,110,165**	1,480,496
	2,294,638	1,665,591

As at 31 December 2015, included in the trade payables was amount due to an associate of RMB221,000 (2014: RMB108,000).

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

	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**1,822,606**	1,028,553
91 to 180 days	**361,999**	408,766
181 days to 1 year	**1,232**	3,954
Over 1 year	**108,801**	224,318
	2,294,638	1,665,591

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	RMB'000	*RMB'000*
Assets:		
Forward foreign exchange contracts *(Note (a))*	**61,087**	–
Liabilities:		
Interest rate swap contracts *(Note (b))*	**9,899**	26,851
Forward foreign exchange contracts *(Note (a))*	**2,789**	–
	12,688	26,851

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

Notes:

(a) The forward foreign exchange contracts as at 31 December 2015 comprised ten contracts with notional principal amounts totalling RMB2,402,632,000 (2014: nil).

(b) The interest rate swap contracts as at 31 December 2015 comprised five contracts with notional principal amounts totalling RMB1,694,836,000 (2014: RMB1,742,932,000).

CHAIRMAN'S STATEMENT

Results

Development in Chinese cotton textile industry slowed down in 2015. While production volume remained stable, there was a dip in China's exports. Despite the continuous decreasing trend in both raw material and product prices during the year, adjustments to raw material and product prices were relatively moderate compared to last year. Besides, depreciation of RMB and smaller gap between domestic and overseas cotton prices, to a certain extent, have helped to ease the hardship faced by domestic cotton spinning enterprises in the past year.

Well-served by our spindle capacity, the Group's yarn sales volume hit a record high of 477,000 tonnes, representing an increase of approximately 10.5% when compared to last year. Sales income also increased to RMB9.835 billion. With domestic cotton price becoming more stable during 2015, the selling prices of yarns had also been stabilized. Moreover, our raw material cost had been lowered and we had undergone a product mix enhancement. All these had contributed to an increase in yarn's gross profit margin from 12.7% for last year to 18.4%. Driven by such increase in the gross profit margin, the Group's profitability improved significantly. During the year, the Group's profit attributable to shareholders and basic earnings per share amounted to RMB590.8 million and RMB0.67 respectively, representing an increase of 92.6% and 91.4% respectively when compared to last year.

In mid-2015, we acquired the yarn spinning business, together with all of its yarn spinning related technologies and patents, of Central Textiles (Hong Kong) Group. The acquisition has strengthened the professional yarn spinning technology of the Group to a great extent, and created further room for positioning of our differentiated products in the new Xinjiang production base. By the end of the year, we entered into a cooperation framework agreement with Ms. Lo Mo-ching, the present chairman of Hong Kong General Chamber of Textiles and Mr. Shiu King Wah. In addition to a proposed investment in the Wah Fung Group, the parties also agreed on jointly developing knitting and dyeing business in Vietnam, which would be a key step forward by the Group to implement its strategy to build a textile industrial chain platform. Besides, we also took the opportunity to acquire part of the workforce and equipment from a financially-distressed jeans wear manufacturing corporation situated in the PRC and Cambodia, which would enable us to accumulate experience for the preparation of developing jeans wear business in Vietnam.

Outlook

Taking into consideration of the weak momentum in the sales market and surging costs in manufacturing industry, the overall development of China's cotton textile industry remains rather gloomy. Textile and apparel enterprises in China are expected to enhance their competitive edge in export due to depreciation of RMB. However, the execution of the Trans-Pacific Partnership Agreement ("TPP") will pose new challenges to China's textile and apparel enterprises at the same time.

On the front of revenue sources expansion, the Group will, on one hand, make full use of its existing production capacity potential, develop product types that can adapt to market changes and cater for customers' needs, consolidate its existing market position and reinforce endogenous growth, while continue to expand production capacity through self-development and merger and acquisition. By the end of 2015, the Group had a total of approximately 2.20 million spindles and 572 looms. Following the expected commencement of operation of the Vietnam Galaxy and China Xinjiang yarn projects in the second and third quarters of 2016 respectively, the Group's spindles capacity will further increase by approximately 28% to 2.81 million spindles, with 1.57 million in China and 1.24 million in Vietnam.

On market strategic position, the Group will, on one hand, continue to consolidate its leading position in China's market, expand its investment in China as and when appropriate by leveraging on the opportunities created by policy adjustment in China's textile industry, and acquire industrial technologies and talents that are important for development in Vietnam. On the other hand, with respect to the cost advantages and prospect for TPP, we will develop by means of internally-funded investment, cooperation or mutual support with industry players, taking advantage of our current position as the largest professional yarn manufacturer in Vietnam in order to accelerate the implementation of our strategies towards the layout for the international industrial chain platform in Vietnam, capturing any substantial business opportunity that TPP may bring. The construction of phase 2 weaving factory, dyeing factory and apparel factory for the Vietnam Galaxy project will commence in 2016, which targets to begin its phase 1 of full industrial chain integrated production and sales objective in 2017, which would boost confidence of and play an exemplary role in participation in various kinds of textile production base development investments in the industrial park where we are located for customers and leading market players interested in jointly investing in the growth of Vietnam.

On the front of profitability enhancement, the Group will, on one hand, continue to step up its efforts in research and development, product mix enhancement, production of more differentiated and high-value varieties, providing diversified innovative product portfolio, and will also endeavour to enhance its operating profits. On the other hand, the Group will be committed to building an integrated platform in Vietnam for downstream industrial chain by business acquisition, joint ventures and recruiting suitable professionals, with an aim to alleviate the fluctuation in its profitability through in-depth industrial development.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are pleased to present the annual results of the Group for the year ended 31 December 2015 to our shareholders. During the year, the Group's revenue grew by 1.0% to RMB10.57 billion when compared to last year. Profit attributable to shareholders increased by 92.6% to RMB590.8 million when compared to last year. Basic earnings per share also increased from RMB0.35 last year to RMB0.67. The increase in the profit attributable to shareholders was mainly due to the increase in gross profit margin, which was mainly attributable to the lower raw material cost and product mix enhancement.

Industry Review

With gap between domestic and foreign cotton prices narrowed as a result of the decrease in domestic cotton price in 2014, operating performance of cotton textile enterprises in the PRC improved in 2015. However, domestic textile enterprises showed polarization in their respective operating conditions. Small and medium-sized enterprises generally experienced a drop in capacity utilization rate and recorded loss, whereas large corporations were gradually relocating their capacities.

According to the statistics from the National Bureau of Statistics of the PRC, during 2015, enterprises with sizeable capacity in the textile industry realized an aggregate sales for principal activities of RMB7,071.3 billion, representing a year-on-year growth of 5.0%. Total profit amounted to RMB386.0 billion, representing a year-on-year growth of 5.4%. Proportion of loss-making enterprises was 11.4%, down by 0.1 percentage point from previous year with total loss decreased by 4.6%. During 2015, the export in textiles and garments in the PRC was US$291.1 billion, representing a year-on-year decrease of 4.8%. Among them, US$115.3 billion was attributable to textile export and US$175.9 billion to garments export, decreased by 2.3% and 6.4% respectively.

According to the statistics from the Customs of Vietnam, sales volume of yarn and staple in Vietnam grew by 12.1% to 962,000 tonnes in 2015 while sales slightly dropped by 0.1% from 2014 to US$2.54 billion. Garments export grew by 9.1% to US$22.81 billion.

Backed by favourable state policies, investment by cotton textile enterprises in Xinjiang has seen rapid growth during the year. It is expected to reshape the landscape of the PRC cotton textile industry.

Business Review

For the year ended 31 December 2015, the revenue of the Group amounted to RMB10.57 billion, representing an increase of 1.0% 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 as well as garments. During the year, yarns continued to be the major products of the Group, which contributed to 93.0% of the Group's total revenue for the year, amounting to RMB9,835 million and representing an increase of 2.2% when compared to last year. 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. For the year ended 31 December 2015, driven by such production expansion, the Group's yarn sales volume increased by 10.5% to a historical record of about 477,000 tonnes when compared to last year. Revenue from grey fabrics and garment fabrics as well as garments was RMB739 million, accounting for 7.0% of the Group's total revenue for the year.

The overall gross profit margin of the Group increased from 12.4% for last year to 18.0% for the year ended 31 December 2015. Increase in gross profit margin was mainly attributable to the lower raw material cost and product mix enhancement.

For the year ended 31 December 2015, the Group recorded profit attributable to shareholders of RMB590.8 million, with basic earnings per share of RMB0.67, representing an increase of 92.6% and 91.4% respectively when compared to last year. The increase in profit attributable to shareholders was mainly contributed by the improvement in gross profit margin. However, such increase was partly offset by the exchange loss arising from depreciation of RMB against US Dollar.

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 target to further improve our financial performance by taking full advantage of the existing international presence of our production operation.

The Group has also continued to strengthen the cooperation with INVISTA, an international core-spun spandex fibre manufacturer of LYCRA® Brand, and Lenzing Fibers, the manufacturer of TENCEL® lyocell fibre and Modal® fibre in order to establish a prolonged strategic partnership with them, and use innovative fibre technology to produce trendy functional yarns to cater for the development in the differentiated high-end market. The Group has also 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

International cotton prices are expected to continue to be under pressure in 2016 due to high level of China cotton inventory. The "destocking" policy in respect of supply reform in the PRC is driving its national cotton reserve closer to the teeth of the storm. It is anticipated that both domestic and foreign cotton prices will remain at a low level in 2016. If selling price of domestic cotton reserve drops substantially, or Renminbi continues to depreciate significantly, operation of the Group will take a blow in the short term.

The TPP agreement was officially signed in February 2016, although it is still subject to approval by the congress in certain countries, and is expected to take effect by around 2018. In the coming years, Vietnam will remain the key region for high-quality textile enterprises in the PRC seeking expansion into foreign markets.

As of the end of 2015, the Group had a total of approximately 2.20 million spindles in operation, of which approximately 1.21 million spindles and approximately 990,000 spindles were located in the PRC and Vietnam respectively. Additionally, 250,000 spindles at phase 1 of our Galaxy project in Vietnam and 450,000 spindles at phase 1 of the Xinjiang project in the PRC are expected to commence commercial operation in the second and third quarters of 2016 respectively. Upon commencement of operation of the abovementioned Galaxy project and Xinjiang project, the Group will have a total of approximately 2.81 million spindles.

With regard to downstream business expansion, the Group will establish an integrated downstream industrial chain platform in Vietnam by business merger and acquisition, joint venture and cooperation and recruiting industry professionals. We plan to construct a grey fabric factory, a dyeing factory and a garment factory in 2016 with respective estimated annual capacities of 60 million meters of grey fabrics, 40 million meters of woven dyed fabrics and 7 million pieces of trousers related garments. We also plan to invest in the renovation and construction of a jeans wear manufacturing plant in Shandong Province, the PRC, with estimated annual capacity of 2.4 million pieces of jeans wear. In 2016, the above investments net of the estimated subsidies and rewards from the local government are expected to amount to approximately RMB1.25 billion in total.

In July 2015, the Group was named by the revered international magazine Fortune as one of its "Fortune 500 Chinese Companies 2015", a proof that the Group's continuing expansion and its business model have gained wide recognition. The Group will dedicate unremitting efforts to strive for stronger operating results in order to bring long term and sustainable return to the shareholders.

FINANCIAL REVIEW

Sales

The Group's sales mainly comprises the sales of yarns, grey fabrics and garment fabrics as well as garments. 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 2.2% in 2015 as compared to that of 2014. Sales analyses of the Group by products are shown below.

	2015	2014	Sales change between 2015 and 2014
	RMB'000	*RMB'000*	
Stretchable core-spun yarns			
— Cotton	**3,137,988**	3,372,853	-7.0%
— Denim	**1,502,160**	1,277,689	17.6%
— Synthetic fiber	**767,034**	691,410	10.9%
Other yarns			
— Cotton	**1,737,316**	1,779,430	-2.4%
— Denim	**1,483,649**	1,418,092	4.6%
— Synthetic fiber	**1,207,254**	1,083,502	11.4%
Fabrics			
— Stretchable grey fabrics	**465,706**	539,313	-13.6%
— Other grey fabrics	**79,675**	161,359	-50.6%
— Garment fabrics	**178,978**	146,673	22%
Garments and others	**15,094**	–	100%
Total	**10,574,854**	10,470,321	1.0%

	Sales volume		Selling price		Gross profit margin	
	2015	2014	**2015**	2014	**2015**	2014
Stretchable core-spun yarns (Ton/RMB per ton)						
— Cotton	**139,761**	138,656	**22,453**	24,325	**18.3%**	13.7%
— Denim	**65,705**	53,418	**22,862**	23,919	**23.0%**	16.8%
— Synthetic fiber	**34,076**	30,873	**22,510**	22,395	**17.4%**	13.4%
Other yarns (Ton/RMB per ton)						
— Cotton	**94,451**	83,610	**18,394**	21,283	**18.9%**	9.2%
— Denim	**83,574**	72,044	**17,753**	19,684	**16.6%**	12.6%
— Synthetic fiber	**59,364**	52,992	**20,336**	20,447	**15.1%**	10.0%
Fabrics (Million meters/ RMB per meter)						
— Stretchable grey fabrics	**45.9**	51.0	**10.1**	10.6	**12.0%**	8.5%
— Other grey fabrics	**13.7**	22.5	**5.8**	7.2	**10.4%**	1.9%
— Garment fabrics	**9.4**	7.5	**19.0**	19.6	**17.5%**	16.9%

The Chinese textile market is the Group's major market, accounting for 86% of our total sales of 2015. The ten largest customers of the Group for 2015 are as follows:

Shaoguan Shunchang Weaving Factory Co., Ltd.
Ningbo Daqian Textile Co., Ltd.
Toray International, Inc.
Guangdong Qianjin Jeans Co., Ltd.
Zhejiang Jiaermei Textile Co., Ltd.
Yixing Lucky G And L Denim Co., Ltd.
Zhejiang Limayunshan Textile Co., Ltd.
Zhejiang Seven Star Textile Co., Ltd
Haining Denim Weaving Co., Ltd
Zhejiang Xinhai 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 19.3% of the total sales of 2015. The ten largest customers mentioned above have more than three years' business relationship with the Group.

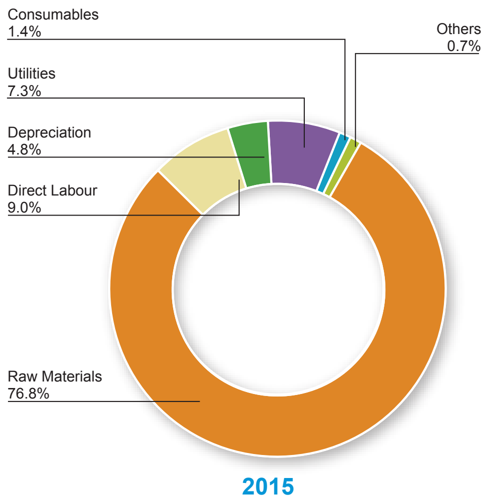
Gross profit and gross profit margin

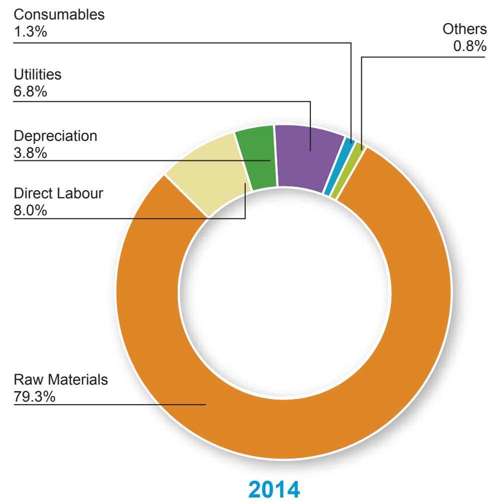
Gross profit of the Group increased from RMB1.29 billion to RMB1.91 billion, representing an increase of 47.3% as compared to that of 2014. The overall gross profit margin also increased by 5.6 percentage point to 18.0% as compared to that of 2014. Increase in gross profit margin was mainly due to the lower raw material cost and product mix enhancement.

Cost structure

Cost of sales decreased by 5.5% to RMB8.67 billion when compared to that of 2014. Raw material cost accounted for about 76.8% of the total cost of sales of 2015. 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 2015, the Group's selling and distribution costs amounted to RMB369.0 million, representing an increase of 4.9% when compared to that of 2014. The increase was attributable to the increase in salaries and transportation costs due to increase in sales volume.

General and administrative expenses

During 2015, the Group's general and administrative expenses increased by 16.0% to RMB380.9 million when compared to that of 2014, which represented 3.6% of the Group's sales. The increase was mainly due to the increase in salaries and other management costs.

Cash flows

	2015	2014
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,696,945**	1,045,410
Net cash used in investing activities	**(1,118,844)**	(584,858)
Net cash generated from/(used in) financing activities	**267,724**	(285,462)
Cash and cash equivalents at end of the year	**1,940,022**	1,094,197

For the year ended 31 December 2015, net cash generated from operating activities amounted to RMB1,697.0 million, which was mainly contributed by the increase in sales and decrease of working capital. Net cash used in investing activities amounted to RMB1,118.8 million, which was mainly used for the payment of capital expenditures for capacity expansion. During the year under review, net cash generated from financing activities amounted to RMB267.7 million, which was mainly contributed by the project financing in the PRC near the end of 2015.

Liquidities and financial resources

As at 31 December 2015, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB2,187.7 million (as at 31 December 2014: RMB1,138.2 million). The Group's inventories increased by RMB256.8 million to RMB1,893.1 million and our trade and bills receivables decreased by RMB288.0 million to RMB1,031.8 million (as at 31 December 2014: RMB1,636.3 million and RMB1,319.8 million respectively). The inventory turnover days and trade and bills receivable turnover days were 73 days and 40 days respectively, compared to 77 days and 39 days in 2014. Decrease in inventory turnover days was mainly attributable to the growth in sales of yarn, which led to the decrease of finished goods inventories.

Trade and bills payables increased by RMB629.0 million to RMB2,294.6 million as at 31 December 2015 (as at 31 December 2014: RMB1,665.6 million), the payable turnover days was 82 days, compared to 72 days in 2014. Increase in the payable turnover days was mainly due to financing of increase in raw material inventories as compared to last year.

The Group increased the total bank borrowings by RMB1,037.9 million to RMB4,053.1 million as at 31 December 2015. Increase in bank borrowings was mainly prepared for redemption of the senior notes matured in January 2016 and financing for capital expenditure. Current bank borrowings increased by RMB1,311.4 million to RMB1,547.8 million while non-current bank borrowings decreased by RMB273.5 million to RMB2,505.3 million.

As at 31 December 2015 and 2014, the Group's financial ratios were as follows:

	2015	2014
Current ratio	**1.22**	1.76
Debt to equity ratio	**1.04**	0.87
Net debt to equity ratio	**0.48**	0.54

Borrowings

As at 31 December 2015, the Group's total bank borrowings amounted to RMB4,053.1 million, among which RMB864.4 million (21.3%) was denominated in Renminbi and RMB3,188.7 million (78.7%) was denominated in United States dollars ("US$" or "USD"). These bank borrowings borne interest at rates ranging from 3.4% to 7.625% per annum (2014: 2% to 7.625%).

As at 31 December 2015, the Group has outstanding current bank borrowings of RMB1,547.8 million (2014: RMB236.3 million). Increase in current bank borrowings was mainly due to the reclassification of the 2011 Notes due in January 2016.

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

Bank borrowings of RMB282.0 million (2014: RMB392.6 million) were secured by the pledge of the Group's land use rights with a net book amount of RMB45.1 million (2014: RMB46.1 million) and the pledge of the Group's property, plant and equipment with a net book amount of approximately RMB352.7 million (2014: RMB393.5 million) as at 31 December 2015.

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

To mitigate the risk of depreciation of Renminbi, the Group has taken steps to reduce its USD indebtedness exposure by cutting down its USD-denominated borrowings, converting part of its RMB liquid assets to USD assets and purchasing a suitable amount of currency option contracts. As at 31 December 2015, the net exposure of USD indebtednesss of the Group was US$307 million and this exposure is expected to be reduced further in 2016.

Capital expenditure

For the year ended 31 December 2015, the capital expenditure of the Group amounted to RMB1,331 million (2014: RMB765 million). It was mainly comprised of the investments in fixed assets in Vietnam and Mainland China.

Contingent liabilities

As at 31 December 2015, 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 ("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 to finance the Phase III expansion of the Borrower's factory in Vietnam. The 2011 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 2011 Facility represents approximately 17% of the total amount of banking/credit facilities (including the 2011 Facility) presently available to the Group. The 2011 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 2011 Facility Agreement, and as a result, the 2011 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 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 for 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 amount of the 2015 Facility represents approximately 27% of the total amount of banking/credit facilities (including the 2015 Facility) presently available to the Group. The 2015 Facility Agreement contains the usual cross default provisions and a further requirement that Mr. Hong shall be and continue to be the chairman of the Company, 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 31 December 2015, the Company repurchased and cancelled in the aggregate notional amount of US$44.5 million of the 2011 Notes, and repurchased notional amount of US$15.8 million of the 2013 Notes.

Human resources

As at 31 December 2015, the Group had a total workforce of 23,265 (as at 31 December 2014: 20,576), of whom 14,091 were located in the PRC, 9,154 were located at the Group's production base in Vietnam and 20 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 attributable to owners of the Company, providing shareholders with an equitable return. The Board has resolved to distribute a final dividend of 12 HK cents per share in respect of the year ended 31 December 2015 to shareholders whose names appear on the register of member on 22 April 2016 and will be payable on or about 9 May 2016, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 18 April 2016. An interim dividend of 12 HK cents per share was paid by the Company on 10 September 2015.

Closure of register of members

The register of members of the Company will be closed from 14 April 2016 to 18 April 2016, 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 13 April 2016.

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 22 April 2016, 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 21 April 2016.

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

Save for the repurchase and/or cancellation of the 2011 Notes and the 2013 Notes, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year ended 31 December 2015.

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 five 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 2015.

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 2015 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
8 March 2016

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 Mr. Ji Zhongliang
Independent non-executive Directors:	Mr. Ting Leung Huel, Stephen Prof. Tao Xiaoming Prof. Cheng Longdi