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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

FINANCIAL HIGHLIGHTS

- Revenue increased by 20.1% to RMB5,822 million
- Gross profit margin increased by 1.2 percentage points to 18.2%
- Net profit margin increased by 1.8 percentage points to 7.8%
- Profit attributable to equity holders increased by 55.9% to RMB457 million
- Earnings per share for the period increased to RMB0.52
- The Board declared an interim dividend of 18 HK cents per share

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2016	2015
	<i>Note</i>	RMB'000	RMB'000
Revenue	2	5,821,792	4,847,327
Cost of sales	3	(4,760,565)	(4,023,112)
Gross profit		1,061,227	824,215
Selling and distribution costs	3	(216,252)	(176,187)
General and administrative expenses	3	(226,828)	(171,886)
Other income		7,050	3,956
Other gains/(losses) — net		78,125	(26,028)
Operating profit		703,322	454,070
Finance income	4	5,137	8,462
Finance costs	4	(164,266)	(111,996)
Share of (losses)/profits of associates		(1,214)	1,186
Profit before income tax		542,979	351,722
Income tax expense	5	(86,859)	(58,765)
Profit for the period		456,120	292,957
Attributable to:			
Owners of the Company		456,709	292,957
Non-controlling interests		(589)	—
		456,120	292,957
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	6	RMB0.52	RMB0.33
Diluted earnings per share	6	RMB0.52	RMB0.33

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2016 <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Freehold land and land use rights		610,408	551,618
Property, plant and equipment		5,751,515	4,997,844
Investments in associates		81,123	63,674
Deferred income tax assets		178,621	160,731
Total non-current assets		6,621,667	5,773,867
Current assets			
Inventories	8	2,711,942	1,893,107
Trade and bills receivables	9	1,028,398	1,031,779
Prepayments, deposits and other receivables		688,928	453,572
Derivative financial instruments		143,418	61,087
Pledged bank deposits		326,471	247,663
Cash and cash equivalents		993,199	1,940,022
Total current assets		5,892,356	5,627,230
Total assets		12,514,023	11,401,097
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		94,064	94,064
Share premium		189,218	189,218
Other reserves		510,400	509,922
Retained earnings		3,488,144	3,117,951
		4,281,826	3,911,155
Non-controlling interests		28,425	27,414
Total equity		4,310,251	3,938,569

		Unaudited 30 June 2016 <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		3,306,139	2,505,306
Deferred income tax liabilities		104,969	96,341
Finance lease obligations		177,478	235,546
Total non-current liabilities		3,588,586	2,837,193
Current liabilities			
Trade and bills payables	10	2,562,312	2,294,638
Accruals and other payables		581,887	618,767
Current income tax liabilities		49,274	27,988
Borrowings		1,289,623	1,547,754
Derivative financial instruments	11	5,973	12,688
Finance lease obligations		126,117	123,500
Total current liabilities		4,615,186	4,625,335
Total liabilities		8,203,772	7,462,528
Total equity and liabilities		12,514,023	11,401,097

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 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, 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 has been approved and authorised for issue by the Board of Directors of the Company on 15 August 2016.

This condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with HKFRS.

Except as described below and the adoption of new and amended standards effective for the financial year beginning on 1 January 2016, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, 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 standard and amendments of HKFRS adopted by the Group in the first half of 2016

The following new standard and amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2016.

HKFRS 14 ‘Regulatory Deferral Accounts’ describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that entity can charge to customers for rate-regulated goods or services. It permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. It requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'Business' (as defined in HKFRS 3, Business combinations). Specifically, The investor needs to:

- measure identifiable assets and liabilities at fair value;
- expense acquisition-related costs;
- recognise deferred tax; and
- recognise the residual as goodwill.

All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 16 and HKAS 41 'Agriculture: Bearer Plants' change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of HKAS 16 rather than HKAS 41. The produce on bearer plants will remain in the scope of HKAS 41.

Amendment to HKAS 27 'Equity Method in Separate Financial Statements' allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual improvements 2014 include changes from the 2012–2014 cycle of the annual improvements project, that affect 4 standards:

- HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' clarifies that when an asset (or disposal group) is reclassified from 'Held for Sale' to 'Held for Distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'Held for Sale' or 'Held for Distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'Held for Sale'.

- HKFRS 7 ‘Financial Instruments: Disclosures’ contains two amendments:

(i) service contracts

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters.

(ii) Interim financial statements

It clarifies the additional disclosure required by the amendments to HKFRS 7, ‘Disclosure — Offsetting Financial Assets and Financial Liabilities’ is not specifically required for all interim periods, unless required by HKAS 34.

- HKAS 19 ‘Employee Benefits’ clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.
- HKAS 34 ‘Interim Financial Reporting’ clarifies what is meant by the reference in the standard to ‘Information Disclosed Elsewhere in the Interim Financial Report’. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 ‘Investment Entities: Applying the Consolidation Exception’, clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments to HKFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in HKFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity’s investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties. The amendments to HKAS 28 allows an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

Amendments to HKAS 1 ‘Disclosure Initiative’ clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

The key areas addressed by the changes are as follows:

- Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;
- Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;
- Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;
- Accounting policies: how to identify a significant accounting policy that should be disclosed;
- Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

The adoption of the above new standard and amendments 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 2016.

(b) New standards and amendments of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2016 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 2016, 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 intends 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:

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.

HKFRS 16 'Leases' effective for annual periods beginning on or after 1 January 2019.

Amendments to HKFRS 10 and HKAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', originally intend to be effectively for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics and garment fabrics as well as garments. 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, management assesses the performance from sales of yarn, grey fabrics and garment fabrics as well as garments. The operations are further evaluated on a geographic basis including Mainland China (and Hong Kong), Vietnam, Macao and Cambodia.

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 2016 is as follows:

	Unaudited Six months ended 30 June 2016								
	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	Vietnam RMB'000	Mainland China RMB'000	Vietnam RMB'000	
Total revenue	4,453,421	2,531,839	4,854,894	160,936	47,572	–	254,082	–	12,302,744
Inter-segment revenue	(161,916)	(2,429,286)	(3,889,750)	–	–	–	–	–	(6,480,952)
Revenue (from external customers)	4,291,505	102,553	965,144	160,936	47,572	–	254,082	–	5,821,792
Segment results	294,503	178,439	227,318	18,490	(1,075)	411	17,324	(991)	734,419
Unallocated expenses									(31,097)
Operating profit									703,322
Finance income									5,137
Finance costs									(164,266)
Share of losses of associates									(1,214)
Income tax expense									(86,859)
Profit for the period									456,120
Depreciation and amortisation	(97,334)	(137,711)	(50)	(248)	(1,122)	–	(5,539)	–	(242,004)

The segment information for the six months ended 30 June 2015 is as follows:

Unaudited Six months ended 30 June 2015 (Restated)						
	Yarn			Garment fabrics	Grey fabrics	
	Mainland China and Hong Kong <i>RMB'000</i>	Vietnam <i>RMB'000</i>	Macao <i>RMB'000</i>	Mainland China <i>RMB'000</i>	Mainland China <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	3,727,126	2,107,006	4,414,224	75,009	266,445	10,589,810
Inter-segment revenue	(108,402)	(2,029,591)	(3,604,490)	–	–	(5,742,483)
Revenue (from external customers)	<u>3,618,724</u>	<u>77,415</u>	<u>809,734</u>	<u>75,009</u>	<u>266,445</u>	<u>4,847,327</u>
Segment results	162,060	157,522	137,882	9,264	16,125	482,853
Unallocated expenses						<u>(28,783)</u>
Operating profit						<u>454,070</u>
Finance income						8,462
Finance costs						(111,996)
Share of profit of an associate						1,186
Income tax expense						<u>(58,765)</u>
Profit for the period						<u><u>292,957</u></u>
Depreciation and amortisation	<u>(98,649)</u>	<u>(120,010)</u>	<u>(21)</u>	<u>(9)</u>	<u>(7,114)</u>	<u>(225,803)</u>

The segment assets and liabilities as at 30 June 2016 are as follows:

	Unaudited As at 30 June 2016									
	Yarn				Garment fabrics and Garments			Grey fabrics		Total
	Mainland China and				Mainland			Mainland		
	Hong Kong	Vietnam	Macao	Sub-total	China	Cambodia	Vietnam	China	Vietnam	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	7,189,447	3,938,547	375,643	11,503,637	246,115	72,828	135,361	357,317	95,028	12,410,286
Unallocated assets										103,737
Total assets of the Group										12,514,023
Total segment liabilities				(5,155,249)	(16,352)	(18,817)	(584)	(37,588)	(307)	(5,228,897)
Unallocated liabilities										(2,974,875)
Total liabilities of the Group										(8,203,772)
Capital expenditure	702,247	153,420	29	855,696	4,893	5,174	113,877	2,170	73,912	1,055,722

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

	Audited As at 31 December 2015							
	Yarn				Garment fabrics and Garments		Grey fabrics	
	Mainland China and Hong Kong <i>RMB'000</i>	Vietnam <i>RMB'000</i>	Macao <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Mainland China <i>RMB'000</i>	Cambodia <i>RMB'000</i>	Mainland China <i>RMB'000</i>	Total <i>RMB'000</i>
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								<u>11,401,097</u>
Total segment liabilities				(4,351,356)	(47,555)	(10,752)	(36,957)	(4,446,620)
Unallocated liabilities								<u>(3,015,908)</u>
Total liabilities of the Group								<u>(7,462,528)</u>
Capital expenditure	<u>749,805</u>	<u>575,848</u>	<u>–</u>	<u>1,325,653</u>	<u>1,958</u>	<u>12</u>	<u>3,049</u>	<u>1,330,672</u>

3. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories	3,704,953	3,122,803
Employment benefit expenses	663,573	493,074
Utilities	342,643	300,536
Depreciation and amortisation	242,004	225,803
Transportation	143,495	116,139

4. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expenses		
— borrowings	117,064	108,759
— finance lease obligations	4,732	6,519
	121,796	115,278
Exchange losses/(gains) on financing activities	61,168	(3,282)
Less: amount capitalised in property, plant and equipment	(18,698)	—
Finance costs — net	164,266	111,996
Finance income — interest income on bank deposits	(5,137)	(8,462)
Net finance costs	159,129	103,534

5. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
— Mainland China and Vietnam enterprise income tax	96,121	55,784
Deferred income tax	(9,262)	2,981
	86,859	58,765

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (2015: 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% (2015: 25%).

(iii) Vietnam income tax

Subsidiaries established in Vietnam are subject to income tax at rate of 20% (2015: 22%).

As approved by the relevant Tax Bureau in Vietnam, the subsidiaries established in Vietnam in 2016, 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 20% (2015: 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 20% (2015: 22%).

The applicable tax rates for the subsidiaries in Vietnam range from nil to 20% during the six months ended 30 June 2016 (2015: 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% (2015: 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 six months ended 30 June 2016 (2015: nil).

The subsidiary established in Uruguay is subject to income tax at the rate of 25% (2015: 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 six months ended 30 June 2016 (2015: nil).

The subsidiary established in Turkey is subject to income tax at the rate of 20% (2015: 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 six months ended 30 June 2016 (2015: nil).

The subsidiary established in Cambodia is subject to income tax at the rate of 20%. As approved by relevant Tax Bureau in Cambodia, the subsidiary is entitled to a preferential tax rate of 0% in 2016 (2015: 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	
	2016	2015
Profit attributable to owners of the Company (<i>RMB'000</i>)	456,709	292,957
Weighted average number of ordinary shares in issue (<i>thousands</i>)	884,681	884,681
Basic earnings per share (<i>RMB per share</i>)	0.52	0.33

(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	
	2016	2015
Profit attributable to owners of the Company (<i>RMB'000</i>)	456,709	292,957
Weighted average number of ordinary shares in issue (<i>thousands</i>)	884,681	884,681
Adjustments for:		
— Share options (<i>thousands</i>)	228	58
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	884,909	884,739
Diluted earnings per share (<i>RMB per share</i>)	0.52	0.33

7. DIVIDENDS

A final dividend of RMB89,155,000 that is related to the year ended 31 December 2015 was paid in May 2016 (2015: RMB55,848,000).

In addition, an interim dividend of HKD0.18 per share (2015: HKD0.12 per share) was proposed by the board of directors on 15 August 2016. It will be payable on or about 20 September 2016 to shareholders whose names are on the register on 8 September 2016. This interim dividend, amounting to RMB136,105,000 (2015: RMB87,329,000), 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 2016.

8. INVENTORIES

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Raw materials	1,952,750	1,255,572
Work-in-progress	86,285	66,008
Finished goods	672,907	571,527
	<u>2,711,942</u>	<u>1,893,107</u>

9. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade receivables	307,103	312,214
Less: provision for impairment	<u>(5,739)</u>	<u>(7,995)</u>
	301,364	304,219
Bills receivable	<u>727,034</u>	<u>727,560</u>
	<u>1,028,398</u>	<u>1,031,779</u>

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:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 30 days	638,380	600,610
31 to 90 days	270,634	355,858
91 to 180 days	115,811	74,278
181 days to 1 year	3,306	1,002
Over 1 year	<u>6,006</u>	<u>8,026</u>
	1,034,137	1,039,774
Less: provision for impairment	<u>(5,739)</u>	<u>(7,995)</u>
Trade and bills receivables — net	<u>1,028,398</u>	<u>1,031,779</u>

10. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade payables	273,148	184,473
Bills payable	2,289,164	2,110,165
	<u>2,562,312</u>	<u>2,294,638</u>

As at 30 June 2016, included in the trade payables was amount due to an associate of RMB866,000 (31 December 2015: RMB221,000).

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 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 90 days	1,365,461	1,822,606
91 to 180 days	1,173,804	361,999
181 days to 1 year	2,988	1,232
Over 1 year	20,059	108,801
	<u>2,562,312</u>	<u>2,294,638</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Assets:		
Forward foreign exchange contracts (<i>Note (a)</i>)	<u>143,418</u>	<u>61,087</u>
Liabilities:		
Interest rate swap contracts (<i>Note (b)</i>)	3,343	9,899
Forward foreign exchange contracts (<i>Note (a)</i>)	<u>2,630</u>	<u>2,789</u>
	<u>5,973</u>	<u>12,688</u>

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

Notes:

- (a) The forward foreign exchange contracts as at 30 June 2016 comprised 27 contracts with notional principal amounts totalling RMB6,474,613,000 (31 December 2015: 10 contracts with notional principal amounts totalling RMB2,402,632,000).
- (b) The interest rate swap contracts as at 30 June 2016 comprised 4 contracts with notional principal amounts totalling RMB332,221,000 (31 December 2015: 5 contracts with notional principal amounts totalling RMB1,694,836,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are pleased to present the results of the Group for the six months ended 30 June 2016 to our shareholders. During the period under review, the Group's revenue increased by 20.1% to RMB5.82 billion when compared to the corresponding period last year. The increase was mainly attributable to the rise in sales volume of yarns. Profit attributable to equity holders for the six months ended 30 June 2016 increased by 55.9% to RMB456.7 million when compared to the corresponding period last year. Earnings per share also increased to RMB0.52 from RMB0.33 for the corresponding period last year. The increase in profit attributable to equity holders was mainly due to the strong sales volume of yarns, enhancement of product mix and an increase in profit margin attributable to 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 2016, the depreciation of the Renminbi led to an increase in the import price of yarn and a decrease in its import volume, thereby vitalising the market demand in the PRC textile industry. Moreover, controlled sales of cotton reserves by the PRC government assured the price stability of cotton in the PRC. The operating environment for cotton textile enterprises has thus been relatively stable. Nevertheless, domestic competition between cotton textile enterprises remained extremely fierce and customers have been increasingly demanding in respect of product development, quality and services. All in all, certain challenges continue to impact the industry.

According to the data from the National Bureau of Statistics of the PRC, from January to June 2016, enterprises with sizeable capacity in the textile industry realised aggregate revenue of RMB1,874.4 billion from its principal activities, representing year-on-year growth of 4.5%. Total profit amounted to RMB94.4 billion, representing year-on-year growth of 7.5%. From January to June 2016, fixed asset investments in the textile industry in the PRC amounted to RMB291.4 billion, representing year-on-year growth of 12.9%.

According to statistics from the General Administration of Customs, the aggregate export of textiles and garments from January to June 2016 was US\$123.6 billion, representing a decrease of 3.7%. Among such exports, US\$52.0 billion was attributable to textiles export and US\$71.6 billion to garments export, representing a decrease of 1.6% and 5.1% respectively. With respect to production volume, from January to June 2016, yarns, fabrics and synthetic fibers production amounted to 19.71 million tonnes, 33.1 billion meters and 24.52 million tonnes respectively, representing a year-on-year growth of 6.6%, 2.0% and 8.4% respectively.

BUSINESS REVIEW

For the period under review, the revenue of the Group was RMB5.82 billion, representing an increase of 20.1% when compared to the corresponding period last year. Revenue of the Group comprises sales of yarns, grey fabrics, garment fabrics as well as garments. Yarns continued to be the major product of the Group, which contributed revenue of RMB5.36 billion to the Group during the six months ended 30 June 2016, accounting for 92.1% of total revenue. The increase was mainly driven by growth in sales volume under strong demand of the Group's products. In the first half of 2016, the Group's two plants, comprising the additional capacity of approximately 710,000 spindles from production plants in Xinjiang, the PRC and the first phase of the Galaxy facilities in northern Vietnam, commenced trial production. The expansion in capacity has directly supported our sales volume growth and it is expected that the plants will begin full-scale operation upon completion of all testing and adjustment procedures in the second half of the year. The Group's yarn sales volume increased by 20.9% to a record high of over 262,000 tonnes for the six months ended 30 June 2016. The Group continues to focus on stretchable core-spun yarn and denim yarn markets in the PRC with a view to explore markets for exceptional and high value-added yarn products. The operating data of the Group's products is set out below:

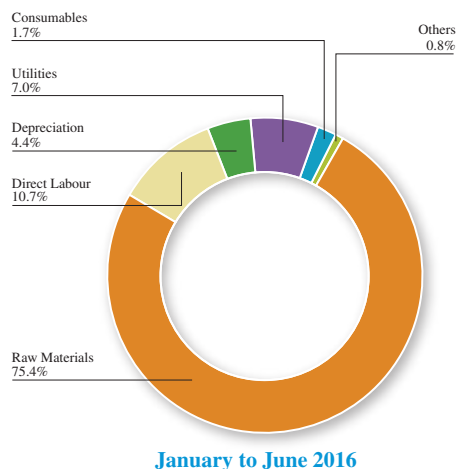
	Revenue from January to June 2016 RMB'000	Revenue from January to June 2015 RMB'000	Revenue change between 2016 and 2015
Stretchable core-spun yarns			
— Cotton	1,738,643	1,439,180	20.8%
— Denim	940,479	631,820	48.9%
— Synthetic fiber	464,498	357,158	30.1%
Other yarns			
— Cotton	833,327	844,735	-1.4%
— Denim	743,826	669,886	11.0%
— Synthetic fiber	638,429	563,094	13.4%
Fabrics			
— Stretchable grey fabrics	221,761	223,126	-0.6%
— Other grey fabrics	32,321	43,319	-25.4%
— Garment fabrics	135,527	75,009	80.7%
Garments and others	72,981	—	—
Total	5,821,792	4,847,327	20.1%

	Sales volume		Selling price		Gross profit margin	
	January to June 2016	January to June 2015	January to June 2016	January to June 2015	January to June 2016	January to June 2015
Stretchable core-spun yarns (Ton/RMB per ton)						
— Cotton	80,838	62,878	21,508	22,888	19.8%	18.0%
— Denim	40,396	27,837	23,281	22,697	24.7%	21.3%
— Synthetic fiber	19,791	16,232	23,470	22,003	21.2%	13.6%
Other yarns (Ton/RMB per ton)						
— Cotton	46,979	44,858	17,738	18,831	14.7%	18.7%
— Denim	43,567	37,119	17,073	18,047	16.5%	16.3%
— Synthetic fiber	30,690	28,031	20,803	20,088	14.6%	12.5%
Fabrics (Million meters/RMB per meter)						
— Stretchable grey fabrics	22.7	21.4	9.8	10.4	12.4%	10.9%
— Other grey fabrics	5.0	6.8	6.5	6.4	9.1%	10.3%
— Garment fabrics	8.1	4.1	16.7	18.3	13.2%	21.0%

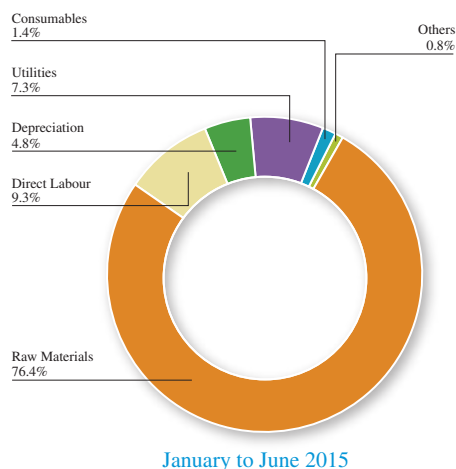
The overall gross profit margin of the Group's products increased from 17.0% for the six months ended 30 June 2015 to 18.2% for the six months ended 30 June 2016. Increase in gross profit margin was mainly attributable to the drop in cotton cost, which was more substantial than the decline in the selling prices of yarns, as well as an enhancement of the Group's product mix.

Cost of sales increased by 18.3% to RMB4.76 billion when compared to the corresponding period last year. Raw material cost accounted for about 75.4% of the total cost of sales for the six months ended 30 June 2016. Cotton is the Group's major raw material.

The breakdown of our cost of sales is shown below:



January to June 2016



January to June 2015

The Group will continue to implement its established corporate strategies, optimize product mix and develop new products that meet market trends and needs. The Group will also further improve its financial performance by taking full advantage of the strategic presence of the production operations.

The Group has continued to strengthen cooperation with INVISTA, an international core-spun spandex fibre manufacturer of LYCRA® fibre, and Lenzing Fibers, the manufacturer of TENCEL® lyocell fibre and Modal® fibre in order to build long-standing strategic partnerships with them, as well as use innovative fibre technologies to produce trendy functional yarns to tap into the differentiated high-end market. The Group has reinforced cooperative relations with Toray of Japan as well. In reaction to market demand, the Group's research and development centre in Changzhou has been raising product quality. It has also been developing products in order to maintain a leading position in the industry, as well as meet customers' demands for diversified and high-end products.

The Chinese textile market has been the major market for the Group, accounting for 86% of our total sales for the six months ended 30 June 2016. The ten largest customers of the Group for the six months ended 30 June 2016, which accounted for 16.9% of the total revenue, are as follows:

Shaoguan Shunchang Weaving Factory Co., Ltd.

Toray International, Inc.

Guangdong Qianjin Jeans Co., Ltd.

Zhejiang Jiaermei Textile Co., Ltd.

Zhejiang Limayunshan Textile Co., Ltd.

Haining Denim Weaving Co., Ltd.

Yixing Lucky G And L Denim Co., Ltd.

Foshan Seazon Textile & Garment Co., Ltd.

Zhejiang Seven Star Textile Co., Ltd.

Zhejiang Xinhai Textile Co., Ltd.

PROSPECT

In light of prevailing state policies and the demand and supply conditions in the market, barring any unforeseen developments in relation to cotton supply for next year which will affect cotton price from October 2016, cotton price in the second half of 2016 is expected to be higher than the first half of the year. This will have a positive impact on the selling prices of yarns, as well as gross profit of yarn spinning enterprises with raw material inventories.

With regard to the Group's expansion plan for 2016, production bases for yarn, the Xinjiang and Galaxy facilities in Northern Vietnam, with an aggregate of approximately 710,000 spindles, are currently expected to commence full-scale operation in the second half of the year upon completion of all testing and adjustment procedures. Currently, the Group has an aggregate of 1.59 million spindles and 1.25 million spindles in the PRC and Vietnam, respectively. In the second half of the year, the Group plans to spend about RMB30 million to acquire and upgrade a small yarn factory in Guangdong Province, the PRC. The factory will be upgraded to a planned capacity of 50,000 spindles, so as to cope with orders requiring prompt delivery. Based on estimated production capacity, targeted sales volume for 2016 and 2017 will be about 600,000 tonnes and 690,000 tonnes of yarn respectively. Construction of plants to form an integrated platform comprising a downstream industry chain in Vietnam is currently underway, and it is targeted to complete equipment installations by the end of 2016.

On 13 July 2016, the Group retained its place in the internationally renowned Fortune "Top 500 Companies in China 2016" list, which signifies the broad recognition that the Group is receiving for its success in continuing to expand and develop its mode of business. The Group will make every effort to achieve even better operating results in order to deliver long-term and sustainable return to its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2016, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB1,319.7 million (as at 31 December 2015: RMB2,187.7 million). The decrease in bank and cash balances was mainly attributable to the redemption of senior notes issued in 2011 ("2011 Notes") which were due in January 2016.

As at 30 June 2016, the Group's inventories increased by RMB818.8 million to RMB2,711.9 million (as at 31 December 2015: RMB1,893.1 million), and trade and bills receivables decreased by RMB3.38 million to RMB1,028.4 million (as at 31 December 2015: RMB1,031.8 million). The inventory turnover days and trade and bills receivable turnover days were 87 days and 32 days respectively, as compared to 73 days and 40 days respectively as at 31 December 2015. Increase in inventory turnover days was mainly due to increased raw materials stocked for capacity expansion. Decrease in trade and bills receivable turnover days was mainly attributable to the Group's effective control policy on credit terms and credibility of customers. Trade and bills payable increased to RMB2,562.3 million (as at 31 December 2015: RMB2,294.6 million). The increase was mainly due to the increase in raw material purchases.

As at 30 June 2016, the Group's borrowings increased by RMB542.7 million to RMB4,595.8 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 2015: RMB4,053.1 million). Current bank borrowings decreased by RMB258.1 million to RMB1,289.6 million, which was mainly due to the repayment of 2011 Notes due in January 2016.

As at 30 June 2016, the Group's financial ratios were as follows:

	30 June 2016	31 December 2015
Current ratio	1.28	1.22
Debt to equity ratio ¹	1.07	1.04
Net debt to equity ratio ²	0.77	0.48

¹ Based on total borrowings over equity attributable to shareholders

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

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 US dollar indebtedness exposure by cutting down its US dollar-denominated borrowings, converting part of its Renminbi liquid assets to US dollar assets and purchasing a suitable amount of currency option contracts. As at 30 June 2016, the Group did not have any net exposure in US dollar indebtedness. The protection offered by some of the currency option contracts entered is only to the extent of USD1 to RMB7.6. In the event that Renminbi depreciates beyond that level, the Group will be required to bear the relevant foreign exchange risk.

Capital expenditure

For the six months ended 30 June 2016, the capital expenditure of the Group amounted to approximately RMB1,056 million (for the six months ended 30 June 2015: RMB129 million), which was mainly related to the investments in newly added production capacity in Northern Vietnam and Xinjiang, the PRC.

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 April 2013, the Company and certain of its subsidiaries entered into 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 (the “2013 Notes”) due 2019. The indenture (the “Indenture”) 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 the 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 Indenture 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 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 announced by the Company on 20 April 2016, by an agreement dated 20 April 2016 (“2016 Facility Agreement”) entered into by, among others, Texhong Galaxy Technology Limited (“Texhong Galaxy”), a wholly-owned subsidiary of the Company, as borrower and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a facility (“2016 Facility”) in the aggregate principal amount of up to US\$103,000,000 to finance the development of Texhong Galaxy’s production plant in Haiha District, Quang Ninh Province, Vietnam. The 2016 Facility shall be fully repaid in April 2023 and is guaranteed by the Company.

The 2016 Facility Agreement contains a requirement that Mr. Hong Tianzhu shall maintain, directly or indirectly, the status of the largest individual shareholder of the Company and maintain the position of chairman of the Group. A breach of such requirement will constitute an event of default under the 2016 Facility Agreement, and as a result, the 2016 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 Indenture, the Master Lease Agreement, the 2015 Facility Agreement and the 2016 Facility Agreement.

Pledge of assets

As at 30 June 2016, the Group’s land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB147.8 million (as at 31 December 2015: RMB397.8 million) and raw material with an aggregate book value of approximately RMB347.6 million (as at 31 December 2015: 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 2016, the Group had a total workforce of 28,670 employees (as at 31 December 2015: 23,265 employees), of whom 15,533 employees were based in the regional headquarters in Shanghai and our manufacturing plants in Mainland China. The remaining 13,137 employees stationed in regions outside Mainland China including Vietnam, Cambodia, 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 attributable to owners of the Company, with a view to providing our shareholders with reasonable returns. The Board has resolved to declare an interim dividend of 18 HK cents per share for the six months ended 30 June 2016 to shareholders whose names appear on the register of shareholders of the Company in Hong Kong on 8 September 2016.

Closure of register of members

The register of members of the Company will be closed from 7 September 2016 to 8 September 2016, 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 20 September 2016), 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 6 September 2016.

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

Save for the redemption of the 2011 Notes upon maturity and the repurchase of some of the 2013 Notes in the principal amount of US\$2,000,000, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the six months ended 30 June 2016.

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 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 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 2016.

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, 15 August 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. Cheng Longdi
Prof. Tao Xiaoming