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 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by 27.9% to RMB7,448 million
- Gross profit margin decreased by 2.8 percentage points to 15.4%
- Net profit margin increased by 0.9 percentage points to 8.7%
- Profit attributable to equity holders increased by 41.2% to RMB645 million
- Excluding the impact of the one-off gain on acquisition of jeanswear business, profit attributable to equity holders and net profit margin was RMB498 million and 6.7%, respectively
- Earnings per share for the period increased to RMB0.70
- The Board declared for the payment of an interim dividend of 24 HK cents per share

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**7,448,497**	5,821,792
Cost of sales	*4*	**(6,301,884)**	(4,760,565)
Gross profit		**1,146,613**	1,061,227
Selling and distribution costs	*4*	**(263,867)**	(216,252)
General and administrative expenses	*4*	**(247,447)**	(226,828)
Other income	*3*	**114,447**	7,050
Other gains-net	*3*	**51,632**	78,125
Operating profit		**801,378**	703,322
Finance income	*5*	**4,263**	5,137
Finance costs	*5*	**(57,242)**	(164,266)
Share of profits/(losses) of investments accounted for using the equity method		**6,267**	(1,214)
Profit before income tax		**754,666**	542,979
Income tax expense	*6*	**(104,672)**	(86,859)
Profit for the period		**649,994**	456,120
Attributable to:			
Owners of the Company		**644,740**	456,709
Non-controlling interests		**5,254**	(589)
		649,994	456,120
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	*7*	**RMB0.70**	RMB0.52
— Diluted earnings per share	*7*	**RMB0.70**	RMB0.52

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2017** ***RMB'000***	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Freehold land and land use rights		**841,755**	695,184
Property, plant and equipment		**6,468,703**	6,231,119
Investments accounted for using the equity method		**110,637**	99,349
Deferred income tax assets		**96,828**	117,004
Total non-current assets		**7,517,923**	7,142,656
Current assets			
Inventories	*9*	**3,437,456**	2,931,297
Trade and bills receivables	*10*	**1,522,485**	1,589,990
Prepayments, deposits and other receivables		**602,501**	1,308,115
Derivative financial instruments	*12*	**168,230**	317,882
Pledged bank deposits		**181,124**	181,201
Cash and cash equivalents		**1,055,939**	1,813,208
Total current assets		**6,967,735**	8,141,693
Total assets		**14,485,658**	15,284,349
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**96,709**	96,709
Share premium		**433,777**	433,777
Other reserves		**567,629**	566,590
Retained earnings		**4,488,265**	4,051,645
		5,586,380	5,148,721
Non-controlling interests		**49,843**	42,723
Total equity		**5,636,223**	5,191,444

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**3,069,042**	2,559,625
Deferred income tax liabilities		**142,177**	113,377
Total non-current liabilities		**3,211,219**	2,673,002
Current liabilities			
Trade and bills payables	*11*	**2,755,784**	3,044,295
Accruals and other payables		**664,686**	721,658
Current income tax liabilities		**44,526**	72,006
Borrowings		**2,122,896**	3,549,669
Derivative financial instruments	*12*	**50,324**	32,275
Total current liabilities		**5,638,216**	7,419,903
Total liabilities		**8,849,435**	10,092,905
Total equity and liabilities		**14,485,658**	15,284,349

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 yarns, 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 ("Board") of directors ("Directors") of the Company on 15 August 2017.

This condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with HKFRSs.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) New amendments of HKFRS adopted by the Group in the first half of 2017

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017.

Amendments to HKAS 12 'Income Taxes' on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 'Statement of Cash Flows' introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendment to HKFRS 12 'Disclosure of Interest in Other Entities' is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12).

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 six month ended 30 June 2017.

(b) New standards and amendments of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 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 2017, and have not been early adopted by the Group in preparing this condensed consolidated interim financial information. The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investments measured at fair value through profit or loss.

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

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the group does not expect to identify any new hedge relationships. It would appear that the group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15, Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

When applying HKFRS 15, revenue shall be recognized by applying following steps:

- identify the contract(s) with customer;
- identify separate performance obligations in a contract;
- determine the transaction price;
- allocate transaction price to performance obligations;
- recognise revenue when performance obligation is satisfied.

Management has identified the following area that is likely to be affected:

- rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. Due to the large size and low value of the Group's products, the historical goods return rate is very low.

Based on the preliminary assessment result, the Group does not expect a material impact on the adoption of new HKFRS 15.

(iii) HKFRS 16, Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB95 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(iv) Amendments to HKFRS 4 ‘Insurance Contracts’, effective for annual periods beginning on or after 1 January 2018.

(v) Amendment to HKFRS 1 ‘First Time Adoption of HKFRS’, effective for annual periods beginning on or after 1 January 2018.

(vi) Amendment to HKAS 28 ‘Investments in Associates and Joint Ventures’, effective for annual periods beginning on or after 1 January 2018.

(vii) HK (IFRIC) 22 ‘Foreign Currency Transactions and Advance Consideration’, effective for annual periods beginning on or after 1 January 2018.

(viii) 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.

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 yarns, 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, Cambodia and Nicaragua.

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 2017 is as follows:

	Unaudited Six months ended 30 June 2017									
	Yarns			Garment fabrics and Garments				Grey fabrics		
	Mainland China and Hong Kong	Vietnam	Macao	Mainland China and Hong Kong	Cambodia	Vietnam	Nicaragua	Mainland China	Vietnam	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	**5,499,031**	**3,326,540**	**6,087,794**	**209,212**	**89,717**	**98,530**	**29,622**	**267,892**	**2,677**	**15,611,015**
Inter-segment revenue	(196,677)	(3,160,085)	(4,803,079)	–	–	–	–	–	(2,677)	(8,162,518)
Revenue (from external customers)	**5,302,354**	**166,455**	**1,284,715**	**209,212**	**89,717**	**98,530**	**29,622**	**267,892**	**–**	**7,448,497**
Segment results	**378,974**	**233,382**	**43,020**	**27,899**	**(13,009)**	**6,771**	**590**	**9,073**	**(4,246)**	**682,454**
Unallocated profit										118,924
Operating profit										**801,378**
Finance income										4,263
Finance costs										(57,242)
Share of profits less losses of investments accounted for using the equity method										6,267
Income tax expense										(104,672)
Profit for the period										**649,994**
Depreciation and amortisation	(138,751)	(153,244)	(62)	(3,471)	(3,861)	(3,488)	(1,096)	(5,542)	(4,520)	(314,035)

The segment information for the six months ended 30 June 2016 is as follows:

	Unaudited Six months ended 30 June 2016								
	Yarns			Garment fabrics and Garments			Grey fabrics		
	Mainland China and Hong Kong	Vietnam	Macao	Mainland China and Hong Kong	Cambodia	Vietnam	Mainland China	Vietnam	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 less profits of investments accounted for using the equity method									(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 assets and liabilities as at 30 June 2017 are as follows:

	Unaudited As at 30 June 2017										
	Yarns				**Garment fabrics and Garments**				**Grey fabrics**		
	Mainland China and Hong Kong	**Vietnam**	**Macao**	**Sub-total**	**Mainland China and Hong Kong**	**Cambodia**	**Vietnam**	**Nicaragua**	**Mainland China**	**Vietnam**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total segment assets	**7,430,564**	**4,071,425**	**412,120**	**11,914,109**	**381,859**	**334,262**	**720,868**	**178,446**	**426,463**	**361,379**	**14,317,386**
Unallocated assets											**168,272**
Total assets of the Group											**14,485,658**
Total segment liabilities				**(5,478,936)**	**(185,390)**	**(91,554)**	**(471,981)**	**(18,478)**	**(71,935)**	**(174,837)**	**(6,493,111)**
Unallocated liabilities											**(2,356,324)**
Total liabilities of the Group											**(8,849,435)**
Capital expenditure	**164,925**	**7,663**	**–**	**172,588**	**3,754**	**–**	**81,493**	**–**	**6,845**	**30,157**	**294,837**

The segment assets and liabilities as at 31 December 2016 are as follows:

	Audited As at 31 December 2016									
	Yarns				Garment fabrics and Garments			Grey fabrics		
	Mainland China and Hong Kong	Vietnam	Macao	Sub-total	Mainland China and Hong Kong	Cambodia	Vietnam	Mainland China	Vietnam	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	8,845,466	3,992,467	419,211	13,257,144	362,774	52,131	324,417	440,766	358,225	14,795,457
Unallocated assets										488,892
Total assets of the Group										15,284,349
Total segment liabilities				(6,341,931)	(221,857)	(5,602)	(129,352)	(44,328)	(287,525)	(7,030,595)
Unallocated liabilities										(3,062,310)
Total liabilities of the Group										(10,092,905)
Capital expenditure	971,502	147,526	37	1,119,065	140,708	29,297	297,558	5,500	331,678	1,923,806

3. OTHER INCOME AND OTHER GAINS — NET

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other income		
Subsidy income (a)	**114,447**	7,050
Other gains/(losses)		
Derivative financial instruments at fair value through profit or loss:		
— Realised profits	**39,955**	8,501
— Unrealised (losses)/profits	**(127,190)**	54,278
Net foreign exchange losses	**(7,256)**	(6,895)
Gains on acquisition of associates	**–**	19,971
Gains on acquisition of subsidiaries	**146,578**	–
Loss from notes repurchase	**–**	(291)
Others	**(455)**	2,561
Total other gains	**51,632**	78,125

(a) The subsidy income represented grants provided by municipal governments based on the amounts of value added tax and income tax paid. The Group has received all the subsidiary income in the same period and there was no future obligation related to these subsidiary income.

4. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cost of inventories	**4,925,711**	3,704,953
Employment benefit expenses	**849,579**	663,573
Utilities	**409,094**	342,643
Depreciation and amortisation	**314,035**	242,004
Transportation	**184,656**	143,495

5. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Interest expenses		
— borrowings	**142,559**	117,064
— finance lease obligations	**–**	4,732
	142,559	121,796
Net exchange (gains)/losses on financing activities	**(85,317)**	61,168
Less: amount capitalised in property, plant and equipment	**–**	(18,698)
Finance costs — net	**57,242**	164,266
Finance income — interest income on bank deposits	**(4,263)**	(5,137)
Net finance costs	**52,979**	159,129

6. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Current income tax		
— Mainland China, Vietnam, Cambodia and Taiwan enterprise income tax	**84,359**	96,121
Deferred income tax	**20,313**	(9,262)
	104,672	86,859

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (2016: 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% (2016: 25%).

(iii) Vietnam income tax

Subsidiaries established in Vietnam are subject to income tax at rate of 20% (2016: 20%).

As approved by the relevant Tax Bureau in Vietnam, the subsidiary acquired in Vietnam in 2017 is entitled to a preferential tax rate of 7.5% during the six months ended 30 June 2017 and effective till 31 December 2018.

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% (2016: 20%).

As approved by the relevant Tax Bureau in Vietnam, the other subsidiary established 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% (2016: 20%).

The applicable tax rates for the subsidiaries in Vietnam range from nil to 20% during the six months ended 30 June 2017 (2016: nil to 20%).

(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% (2016: 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 2017 (2016: nil).

The subsidiary established in Uruguay is subject to income tax at the rate of 25% (2016: 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 2017 (2016: nil).

The subsidiary established in Turkey is subject to income tax at the rate of 20% (2016: 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 2017 (2016: nil).

The subsidiaries acquired in Cambodia in 2017 and 2015 are subject to income tax at the rate of 20%. No provision for Cambodia profits tax has been made as the Group had no assessable profit arising in or derived from these subsidiaries during the six months ended 30 June 2017 (2016: nil).

The subsidiary acquired in Nicaragua in 2017 is subject to income tax at the rate of 30%. As approved by relevant Tax Bureau in Nicaragua, the subsidiary is entitled to exemption from profits tax during the six months ended 30 June 2017 and effective till 31 December 2020.

The subsidiary established in Taiwan in 2017 is subject to income tax at the rate of 17%. Taxable income under New Taiwan Dollar 120,000 is exempted from income tax. No provision for Taiwan profits tax has been made as the Group had no assessable profit arising in or derived from Taiwan during the six months ended 30 June 2017.

The subsidiaries acquired in Samoa in 2017 are exempted from profits tax during the six months ended 30 June 2017.

7. 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	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**644,740**	456,709
Weighted average number of ordinary shares in issue (thousands)	**915,000**	884,681
Basic earnings per share (RMB per share)	**0.70**	0.52

(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	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**644,740**	456,709
Weighted average number of ordinary shares in issue (thousands)	**915,000**	884,681
Adjustments for:		
— Share options (thousands)	**1,442**	228
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**916,442**	884,909
Diluted earnings per share (RMB per share)	**0.70**	0.52

8. DIVIDENDS

A final dividend of RMB210,137,000 that is related to the year ended 31 December 2016 was paid in May 2017 (2016: RMB89,155,000).

In addition, an interim dividend of HKD0.24 per share (2016: HKD0.18 per share) was proposed by the Board on 15 August 2017. It will be payable on or about 18 September 2017 to shareholders whose names are on the register on 7 September 2017. This interim dividend, amounting to RMB190,590,000 (2016: RMB136,105,000), 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 2017.

9. INVENTORIES

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Raw materials	**2,298,654**	2,168,041
Work-in-progress	**203,977**	117,580
Finished goods	**934,825**	645,676
	3,437,456	2,931,297

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Trade receivables	**520,715**	391,614
Less: provision for impairment	**(5,364)**	(5,407)
	515,351	386,207
Bills receivable	**1,007,134**	1,203,783
	1,522,485	1,589,990

The Group generally grants a credit term 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 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 30 days	**978,440**	788,378
31 to 90 days	**471,896**	668,960
91 to 180 days	**60,368**	128,085
181 days to 1 year	**9,809**	2,590
Over 1 year	**7,336**	7,384
	1,527,849	1,595,397
Less: provision for impairment	**(5,364)**	(5,407)
Trade and bills receivables — net	**1,522,485**	1,589,990

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Trade payables	**373,884**	296,039
Bills payable	**2,381,900**	2,748,256
	2,755,784	3,044,295

As at 30 June 2017, included in the trade payables were amounts due to related parties of RMB6,246,000 (31 December 2016: RMB4,341,000).

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

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 90 days	**1,735,974**	1,848,405
91 to 180 days	**989,850**	1,181,040
181 days to 1 year	**23,529**	9,347
Over 1 year	**6,431**	5,503
	2,755,784	3,044,295

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Assets:		
Forward foreign exchange contracts *(Note (a))*	**168,139**	317,882
Interest rate swap contracts *(Note (b))*	**91**	–
	168,230	317,882
Liabilities:		
Forward foreign exchange contracts *(Note (a))*	**19,632**	24,260
Interest rate swap contracts *(Note (b))*	**–**	40
Cross currency swap contracts *(Note (c))*	**26,686**	7,975
Cotton future contracts *(Note(d))*	**4,006**	–
	50,324	32,275

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

Notes:

(a) The forward foreign exchange contracts as at 30 June 2017 comprised 32 contracts with notional principal amounts totalling RMB4,064,640,000 (31 December 2016: 20 contracts with notional principal amounts totalling RMB5,555,718,000).

(b) The interest rate swap contract as at 30 June 2017 comprised 1 contract with notional principal amounts totalling RMB135,488,000 (31 December 2016: 1 contract with notional principal amounts totalling RMB173,425,000).

(c) The cross currency swap contracts as at 30 June 2017 comprised 8 contracts with notional principal amounts totalling RMB1,215,060,000 (31 December 2016: 3 contracts with notional principal amounts totalling RMB626,150,000).

(d) The cotton future contracts as at 30 June 2017 comprised 13 contracts with notional principal amounts totalling RMB106,195,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are pleased to present the unaudited consolidated financial results of the Group for the six months ended 30 June 2017 to our shareholders. During the period under review, the Group's revenue increased by 27.9% to RMB7.45 billion when compared to the corresponding period last year. The increase was mainly attributable to the rise in sales volume and unit price of yarns. Profit attributable to equity holders for the six months ended 30 June 2017 rose by 41.2% to RMB645 million when compared to the corresponding period last year. Earnings per share also increased to RMB0.70 from RMB0.52 for the corresponding period last year. The increase in profit attributable to equity holders was mainly attributable to the one-off gain from the acquisition of the jeanswear business and operating subsidy income of the Xinjiang factory beginning to normalise during the period, partially offset by the impact of comparatively weaker market demand and fierce competition on sales volume and gross profit margin.

Industry review

In the first half of 2017, there was a strong demand for differentiated products from the PRC market. In contrast, the market for traditional goods and those easily replicated products has been facing intensified competition. Obviously, there is little room to grow in the PRC market under the business model based on making profit merely by low cost production. Nevertheless, customers have been increasingly demanding in respect of product development, quality and services. All in all, mounting challenges continue to impact the industry.

According to the statistics between January and June 2017 from the National Bureau of Statistics of the PRC, enterprises with a sizeable capacity in the textile industry realised an aggregate revenue of RMB2,034.9 billion from its principal activities, representing year-on-year growth of 9.4%. Total profit amounted to RMB98.3 billion, representing year-on-year growth of 5.1%. From January to June 2017, fixed asset investments in the textile industry in the PRC amounted to RMB312.4 billion, representing year-on-year growth of 7.2%.

According to the statistics between January and June 2017 from the General Administration of Customs of the PRC, the aggregate export of textiles and garments was US$124.05 billion, representing an increase of 0.36%. Among these exports, US$53.12 billion was attributable to textiles and US$70.93 billion to garments, representing an increase of 2.1% and a decrease of 0.9% respectively. With respect to production volume between January and June 2017, yarns, fabrics and synthetic fiber production amounted to 20.52 million tonnes, 34.6 billion meters and 25.59 million tonnes respectively, representing year-on-year growth of 5.1%, 4.5% and 4.8% respectively.

According to the statistics between January and June 2017 from Vietnam Customs, sales of yarns and short fiber manufactured in Vietnam increased by 14.1% to 614,000 tonnes, representing a growth of 24.1% in revenue to US$1.641 billion; while garments exports increased by 7.0% to US$11.59 billion.

BUSINESS REVIEW

For the period under review, the revenue of the Group was RMB7.45 billion, representing an increase of 27.9% 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 RMB6.75 billion during the six months ended 30 June 2017, accounting for 90.7% of total revenue of the Group. The increase was mainly driven by the growth in sales volume and the increase in sales prices of the Group's products. In the first half of 2017, as new factories that commenced production in stages last year are now running at full steam, the Group's yarn sales volume increased significantly by 14.9% to over 300,000 tonnes for the six months ended 30 June 2017. The Group has continued 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:

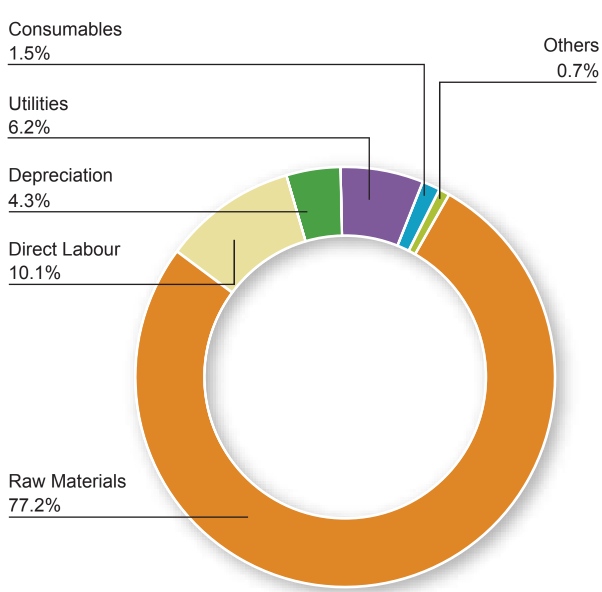
	Revenue from January to June 2017 *RMB'000*	Revenue from January to June 2016 *RMB'000*	**Revenue change between 2017 and 2016**
Stretchable core-spun yarns			
– Cotton	**1,850,407**	1,738,643	**6.4%**
– Denim	**1,352,031**	940,479	**43.8%**
– Synthetic fiber	**498,382**	464,498	**7.3%**
Other yarns			
– Cotton	**1,445,878**	833,327	**73.5%**
– Denim	**931,677**	743,826	**25.3%**
– Synthetic fiber	**675,149**	638,429	**5.8%**
Grey fabrics			
– Stretchable grey fabrics	**228,318**	221,761	**3.0%**
– Other grey fabrics	**39,574**	32,321	**22.4%**
Garment fabrics	**203,292**	143,527	**41.6%**
Jeans	**223,789**	64,981	**244.4%**
Total	**7,448,497**	5,821,792	**27.9%**

	Sales volume		Selling price		Gross profit margin	
	January to June 2017	January to June 2016	**January to June 2017**	January to June 2016	**January to June 2017**	January to June 2016
Stretchable core-spun yarns (Ton/RMB per ton)						
– Cotton	**82,025**	80,838	**22,559**	21,508	**15.3%**	19.8%
– Denim	**54,878**	40,396	**24,637**	23,281	**18.5%**	24.7%
– Synthetic fiber	**21,008**	19,791	**23,723**	23,470	**21.6%**	21.2%
Other yarns (Ton/RMB per ton)						
– Cotton	**65,202**	46,979	**22,175**	17,738	**14.1%**	14.7%
– Denim	**47,815**	43,567	**19,485**	17,073	**16.6%**	16.5%
– Synthetic fiber	**30,403**	30,690	**22,207**	20,803	**14.7%**	14.6%
Grey fabrics (Million meters/RMB per meter)						
– Stretchable grey fabrics	**22.5**	22.7	**10.1**	9.8	**8.3%**	12.4%
– Other grey fabrics	**5.4**	5.0	**7.3**	6.5	**3.3%**	9.1%
Garment fabrics (Million meters/RMB per meter)	**12.9**	13.0	**15.8**	11.0	**10.0%**	12.4%
Jeans (Million pairs)	**4.5**	1.9	**49.7**	34.2	**3.3%**	-1.3%

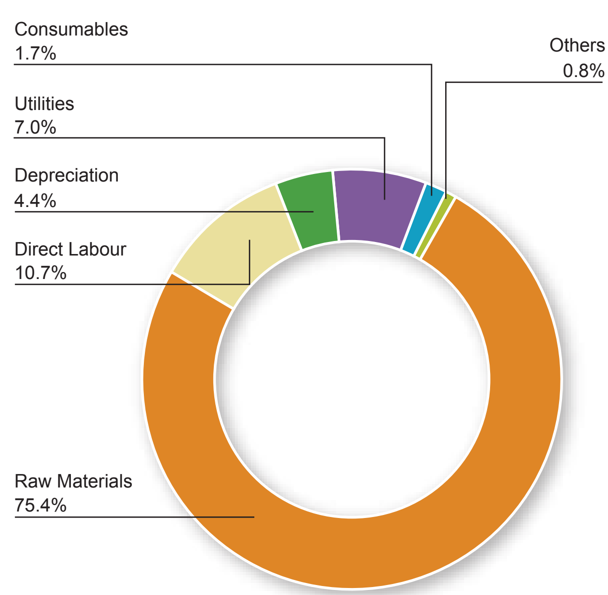
The overall gross profit margin of the Group's products decreased from 18.2% for the six months ended 30 June 2016 to 15.4% for the six months ended 30 June 2017. The decrease was mainly attributable to the fierce market competition among comparatively simple product categories of the differentiated products and the slower growth in demand that had affected sales volume and unit price of products, causing certain pressure on our gross profit margin.

Cost of sales increased by 32.4% to RMB6.30 billion when compared to the corresponding period last year due to the increase in production volume and raw material cost. Raw material cost accounted for about 77.2% of the total cost of sales for the six months ended 30 June 2017. Cotton is one of the Group's major raw materials.

The breakdown of our cost of sales is shown below:



January to June 2017



January to June 2016

The Group will continue to implement its established corporate strategies, optimise its 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, using innovative fibre technologies to produce trendy functional yarns to tap into the differentiated high-end market. The Group has reinforced its cooperative relations with Toray of Japan, with the aim of expanding the cooperation from the yarn business to its denim garment business. In response to market demand, the Group's research and development centre in Xuzhou has been raising product quality and developing products in order to maintain a leading position in the industry, as well as satisfying customers' demands for diversified and high-end products.

The Chinese textile market has been the major market for the Group, accounting for 84.3% of total sales for the six months ended 30 June 2017. The ten largest customers of the Group for the six months ended 30 June 2017, which accounted for 17.0% of the total revenue, are as follows:

Shaoguan Shunchang Weaving Factory Co., Ltd.
Ningbo Daqian Textile Co., Ltd.
Guangdong Qianjin Jeans Co., Ltd.
Toray International, Inc.
Zhejiang Limayunshan Textile Co., Ltd.
Xinchangjing Textiles Co., Ltd.
TCE Vina Denim Joint Stock Company
Yixing Magnolia Garment Co., Ltd.
Black Peony Textile Co., Ltd.
Foshan Seazon Textile & Garment Co., Ltd.

PROSPECTS

In light of the prevailing government policies and the demand and supply conditions in the PRC market, barring any unforeseen circumstances in relation to the cotton supply for next cotton season, we expect to witness relatively stable cotton prices which will have a stabilising impact on the businesses engaged in yarn spinning.

Currently, the Group has an aggregate of 1.64 million spindles and 1.25 million spindles in the PRC and Vietnam respectively. In light of the strong demand for quick delivery and tailor made differentiated products, the Group intends to allocate RMB100 million to procure second-hand equipment to expand domestic production capacity by 100,000 spindles, which is expected to be in full production in the fourth quarter of the year. Meanwhile, the establishment of a brand new intelligent yarn spinning factory with 140,000 spindles in Xuzhou is expected to be completed in the second quarter of the coming year. With an investment of approximately RMB500 million, the facilities serve to fulfil orders that require quick delivery. Based on estimated production capacity, targeted sales volumes of yarn for 2017 and 2018 are about 650,000 tonnes and 720,000 tonnes respectively. Nevertheless, the actual sales volume will depend on the product mix in the corresponding period.

In March 2017, the Group and Nien Hsing Textile Co., Ltd. entered into a sales and purchase agreement mainly in relation to the acquisition of its denim garment factories in Vietnam and Cambodia and the associated business. The acquisition was completed on 1 May 2017 at an adjusted final consideration of approximately US$64 million in accordance with the pro forma balance sheet as at 30 April 2017, which primarily covered inventories and fixed assets of approximately US$36 million and US$26 million respectively. We expected that the adjustment of the associated business will be completed during the year in order to enhance production management and strive to obtain steady bulk orders from brand customers. Despite that the business is expected to record certain operating losses for the year, the Group expects it to achieve a turnaround in 2018. The garment factory in Vietnam jointly established by us and Changzhou Hualida Group has commenced trial operation. After discussion, to complement the plan in respect of the newly acquired denim garment factory mentioned above, the joint venture factory is to primarily focus on production of jackets and tops, the strengths of Hualida, with denim garments as a secondary product to target leading brands in Japan in order to achieve orderly expansion of the main operation. As a new business, the denim garment business is to be the development focus and is expected to become a growth driver of the Group in the mid-to-long term. It will also help effectively stabilise the operating profit to avoid undue sensitivity to the fluctuation of raw material prices.

Though the construction of plants to form an integrated platform comprising a downstream industry chain in Vietnam is behind the original schedule, the plants are currently expected to commence production by stages in any events during the second half of 2017. The Group's targeted sales volume for grey fabrics and jeans for the year have been adjusted to about 80 million meters and 14 million pairs.

The Group retained its place among the internationally renowned Fortune "Top 500 Companies in China 2017" list announced on 31 July 2017, signifying broad recognition for its success in continuing to expand and develop its mode of business. According to the China National Textile and Apparel Council, the Group ranked third in terms of competitiveness among yarn and cotton enterprises, we will make every effort to achieve even better operating results in order to deliver long-term and sustainable returns to its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2017, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB1,237 million (as at 31 December 2016: RMB1,994 million). The decrease in bank and cash balances was mainly attributable to the early redemption of senior notes issued in 2013 ("2013 Notes") which were due in January 2019.

As at 30 June 2017, the Group's inventories increased by RMB506 million to RMB3,437 million (as at 31 December 2016: RMB2,931 million), and trade and bills receivables decreased by RMB68 million to RMB1,522 million (as at 31 December 2016: RMB1,590 million). The inventory turnover days and trade and bills receivables turnover days were 91 days and 38 days respectively, as compared to 79 days and 35 days respectively as at 31 December 2016. The increase in inventory turnover days was mainly due to higher inventory level of yarns and the inventories of the newly acquired denim garment business. The increase in trade and bills receivables turnover days was due to the increase in sales which led to an increase in bills receivable, as well as longer credit terms for customers of the newly acquired denim garment business than that for customers of yarns. Trade and bills payables decreased to RMB2,756 million (as at 31 December 2016: RMB3,044 million). The decrease was mainly due to the settlement of payables in raw material purchases and equipment purchases.

As at 30 June 2017, the Group's borrowings decreased by RMB917 million to RMB5,192 million (as at 31 December 2016: RMB6,109 million) and current bank borrowings decreased by RMB1,427 million to RMB2,123 million, which were mainly due to the early repayment of 2013 Notes due in January 2019.

As at 30 June 2017, the Group's financial ratios were as follows:

	30 June 2017	31 December 2016
Current ratio	**1.24**	1.10
Debt to equity ratio[1]	**0.93**	1.19
Net debt to equity ratio[2]	**0.71**	0.80

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 Renminbi and US dollar. 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 dollar and Hong Kong dollar. 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 and purchasing a suitable amount of currency option contracts. As at 30 June 2017, other than bills payable, the Group only had exposure in Hong Kong dollar indebtedness of HK$600 million without protection of option contracts. 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 2017, the capital expenditure of the Group amounted to approximately RMB295 million (for the six months ended 30 June 2016: RMB1,056 million), which was mainly related to the renovation of buildings and upgrade of equipments in the PRC and the new capacity of fabric and garments in Vietnam during the period.

In addition, the Group acquired denim business with an final consideration of approximately US$64 million.

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 2013 Notes provides that upon the occurrence of a change of control triggering event, the Company will make an offer to purchase all outstanding 2013 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.

Such bonds were fully redeemed in advance in January 2017.

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 2015 Facility Agreement and the 2016 Facility Agreement.

Pledge of assets

As at 30 June 2017, the Group did not have any pledged assets (as at 31 December 2016: land use rights, property, plant and equipment, inventories and bank acceptance with a net book amount of RMB26.0 million, RMB116.5 million, RMB393.0 million and RMB206.8 million, respectively).

Human resources

As at 30 June 2017, the Group had a total workforce of 39,051 employees (as at 31 December 2016: 27,279 employees), of whom 15,452 employees were based in the regional headquarters in Shanghai and our manufacturing plants in Mainland China. The remaining 23,599 employees stationed in regions outside Mainland China including Vietnam, Cambodia, Nicaragua, Taiwan, 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 promote a learning and knowledge sharing culture within 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 24 HK cents per share for the six months ended 30 June 2017 to shareholders whose names appear on the register of shareholders of the Company in Hong Kong on 7 September 2017.

Closure of register of members

The register of members of the Company will be closed from 5 September 2017 to 7 September 2017, 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 18 September 2017), 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 4 September 2017.

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

Save for the early redemption of the 2013 Notes, 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 2017.

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 2017.

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises, Mr. Hong Tianzhu (the chairman and executive Director), 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, Mr. Hong Tianzhu (the chairman and executive Director), 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 2017

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