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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 2020**

FINANCIAL HIGHLIGHTS

- Revenue decreased by 19.4% to RMB8,214 million
- Gross profit margin decreased by 2.1 percentage points to 11.4%
- Net profit margin decreased by 4.6 percentage points to 0.2%
- Profit attributable to equity holders decreased by 97.8% to RMB10.48 million
- Earnings per share for the period decreased to RMB0.01
- No interim dividend was declared by the Board

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	2	8,214,436	10,191,466
Cost of sales	4	<u>(7,277,373)</u>	<u>(8,810,615)</u>
Gross profit		937,063	1,380,851
Selling and distribution costs	4	(337,144)	(384,493)
General and administrative expenses	4	(510,832)	(432,809)
Net accrual of impairment losses on financial assets		(1,384)	(2,717)
Other income	3	91,908	70,300
Other gains	3	<u>136,999</u>	<u>170,271</u>
Operating profit		316,610	801,403
Finance income	5	25,650	17,781
Finance costs	5	<u>(349,221)</u>	<u>(254,342)</u>
Finance costs — net		<u>(323,571)</u>	<u>(236,561)</u>
Share of profits less losses of investments accounted for using the equity method		<u>29,507</u>	<u>260</u>
Profit before income tax		22,546	565,102
Income tax expense	6	<u>(4,126)</u>	<u>(78,777)</u>
Profit for the period		18,420	486,325
Attributable to:			
Owners of the Company		10,475	471,042
Non-controlling interests		<u>7,945</u>	<u>15,283</u>
		<u>18,420</u>	<u>486,325</u>
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	7	<u>RMB0.01</u>	<u>RMB0.51</u>
— Diluted earnings per share	7	<u>RMB0.01</u>	<u>RMB0.51</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
	Note		
ASSETS			
Non-current assets			
Freehold land		172,507	170,005
Property, plant and equipment		9,229,965	9,445,725
Right-of-use assets		1,323,028	1,344,312
Intangible assets		65,236	67,067
Investments accounted for using the equity method		275,776	243,269
Deferred income tax assets		129,218	103,676
		<u>11,195,730</u>	<u>11,374,054</u>
Current assets			
Inventories	9	5,247,095	5,100,090
Properties under development		228,324	227,580
Trade and bills receivables	10	1,228,657	1,534,673
Prepayments, deposits and other receivables		637,720	798,492
Derivative financial instruments	12	372,774	287,435
Pledged bank deposits		31,576	21,478
Cash and cash equivalents		4,086,549	1,830,859
		<u>11,832,695</u>	<u>9,800,607</u>
Total assets		<u><u>23,028,425</u></u>	<u><u>21,174,661</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		96,709	96,709
Share premium		433,777	433,777
Other reserves		906,875	905,019
Retained earnings		5,918,631	6,037,951
		<u>7,355,992</u>	<u>7,473,456</u>
Non-controlling interests		<u>604,121</u>	<u>625,919</u>
Total equity		<u><u>7,960,113</u></u>	<u><u>8,099,375</u></u>

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		4,718,688	4,925,007
Lease liabilities		124,389	135,386
Deferred income tax liabilities		284,694	287,461
Long-term payables		95,524	144,212
		5,223,295	5,492,066
Current liabilities			
Trade and bills payables	11	3,495,838	3,035,868
Contract liabilities		126,694	133,027
Accruals and other payables		681,594	797,958
Current income tax liabilities		26,205	96,879
Borrowings		5,316,261	3,359,616
Derivative financial instruments	12	54,414	29,530
Lease liabilities		39,117	35,770
Long-term payables due within 1 year		104,894	94,572
		9,845,017	7,583,220
Total liabilities		15,068,312	13,075,286
Total equity and liabilities		23,028,425	21,174,661

NOTES:

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

Texhong Textile Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of yarn, grey fabrics and garment fabrics as well as garments.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, 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 financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated financial statements have been approved and authorised for issue by the board (“Board”) of directors (“Directors”) of the Company on 21 August 2020.

This condensed consolidated financial statements have not been audited.

The notes contained in this announcement are extracted from the full set of the Company’s condensed consolidated financial statements for the six months ended 30 June 2020 which have been prepared in accordance with HKAS 34, ‘Interim Financial Reporting’. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with HKFRSs.

The accounting policies applied for the preparation of the condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2019, 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 new standards, amendments and interpretation of HKFRSs effective for the financial year ending 31 December 2020.

(a) New standards, amendments and interpretation of HKFRSs adopted by the Group in the first half of 2020

A number of new amendments and interpretation to existing standards became applicable for the current reporting period. These new amendments and interpretation did not give rise to any significant impact on the Group’s financial statements. The impact of the adoption of the new accounting policies are set out below:

(i) Amendments to HKAS 1 and HKAS 8 regarding definition of material

The HKICPA has made amendments to HKAS 1 ‘Presentation of Financial Statements’ and HKAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ which use a consistent definition of materiality throughout Hong Kong Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

(ii) Amendments to HKFRS 3 regarding definition of a business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

(iii) Revised Conceptual Framework for Financial Reporting

The HKICPA has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.

(iv) Amendments to HKFRS 7, HKFRS 9 and HKAS 39 regarding interest rate benchmark reform

The amendments made to HKFRS 7 ‘Financial Instruments: Disclosures’, HKFRS 9 ‘Financial Instruments’ and HKAS 39 ‘Financial Instruments: Recognition and Measurement’ provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving Inter Bank Offered Rate based contracts, the reliefs will affect companies in all industries.

(v) *Amendments to HKFRS 16 regarding Covid-19-related rent concessions*

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the HKICPA made an amendment to HKFRS 16 'Leases' which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective on 1 June 2020.

(b) **The following new standard and amendments of HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:**

- (i) Amendments to HKAS 1 regarding classification of liabilities as current or non-current, effective for annual periods beginning on or after 1 January 2022 (possibly deferred to 1 January 2023).
- (ii) Amendments to HKAS 16 regarding property, plant and equipment, proceeds before intended use, effective for annual periods beginning on or after 1 January 2022.
- (iii) Amendments to HKAS 37 regarding onerous contracts — cost of fulfilling a contract, effective for annual periods beginning on or after 1 January 2022.
- (iv) Amendments to HKFRS 3 regarding reference to the conceptual framework, effective for annual periods beginning on or after 1 January 2022.
- (v) HKFRS 17 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2023.
- (vi) Amendments to HKFRS 10 and HKAS 28 regarding 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.
- (vii) Annual Improvements to HKFRS Standards 2018–2020, effective for annual periods beginning on or after 1 January 2022.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments. Revenue recognised for the period represented sales of goods, net of value-added tax.

The chief operating decision-maker has been identified as the Committee of Executive Directors of the Company. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Committee of Executive Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Committee of Executive Directors considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance from sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments.

Due to the continuous improvement of the regional integration process, the Group shows homogeneity of operation and management in the same geographical area. As a consequence, the Committee of Executive Directors integrated the segment information in the same area.

The scope of the operating segments has been modified following the changes in management responsibilities as from 1 January 2020. China now includes Mainland China, Hong Kong and Macao. Southeast Asia now includes Vietnam and Cambodia. Americas now includes United States, Mexico and Nicaragua.

2019 comparative information has been restated.

The Committee of Executive Directors assesses the performance of the operating segments based on revenue and operating profit.

The segment information for the six months ended 30 June 2020 is as follows:

	Unaudited											
	Six months ended 30 June 2020											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabric		
	Southeast				Southeast			Southeast		Southeast		Total
	China	Asia	Americas	Others	China	Asia	Americas	China	Asia	China	Asia	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	8,873,546	3,347,677	6,632	54,696	1,426,527	312,367	343,791	338,877	169,501	10,524	15,575	14,899,713
Inter-segment revenue	(2,891,045)	(3,146,234)	(6,632)	—	(41,750)	(254,445)	(24,433)	(141,119)	(169,190)	—	(10,429)	(6,685,277)
Revenue (from external customers)	5,982,501	201,443	—	54,696	1,384,777	57,922	319,358	197,758	311	10,524	5,146	8,214,436
Timing of revenue recognition												
— At a point in time	5,982,501	201,443	—	54,696	1,384,777	57,922	319,358	197,758	311	10,524	5,146	8,214,436
Segment results	103,797	108,164	(12,202)	(11,389)	61,222	(2,628)	(29,483)	(1,892)	1,961	151	(10,633)	207,068
Unallocated profits												109,542
Operating profit												316,610
Finance income												25,650
Finance costs												(349,221)
Share of profits less losses of investments accounted for using the equity method												29,507
Income tax expense												(4,126)
Profit for the period												18,420
Depreciation and amortisation	(220,179)	(162,934)	(574)	(8,219)	(49,341)	(26,488)	(10,619)	(3,002)	(13,564)	—	(2,808)	(497,728)

The segment information for the six months ended 30 June 2019 is restated as follows:

	Unaudited (Restated)								
	Six months ended 30 June 2019								
	Yarns			Garment fabrics and Garments			Grey fabrics		Total
	China <i>RMB'000</i>	Southeast Asia <i>RMB'000</i>	Others <i>RMB'000</i>	China <i>RMB'000</i>	Southeast Asia <i>RMB'000</i>	Americas <i>RMB'000</i>	China <i>RMB'000</i>	Southeast Asia <i>RMB'000</i>	
Total revenue	10,492,964	3,940,806	14,887	1,790,223	393,426	468,270	513,849	255,197	17,869,622
Inter-segment revenue	(3,046,793)	(3,671,855)	—	(147,256)	(367,923)	(16,280)	(172,906)	(255,143)	(7,678,156)
Revenue (from external customers)	<u>7,446,171</u>	<u>268,951</u>	<u>14,887</u>	<u>1,642,967</u>	<u>25,503</u>	<u>451,990</u>	<u>340,943</u>	<u>54</u>	<u>10,191,466</u>
Timing of revenue recognition									
— At a point in time	<u>7,446,171</u>	<u>268,951</u>	<u>14,887</u>	<u>1,642,967</u>	<u>25,503</u>	<u>451,990</u>	<u>340,943</u>	<u>54</u>	<u>10,191,466</u>
Segment results	179,794	342,890	(9,847)	53,825	(16,562)	2,981	16,035	17,419	586,535
Unallocated profits									<u>214,868</u>
Operating profit									801,403
Finance income									17,781
Finance costs									(254,342)
Share of profits less losses of investments accounted for using the equity method									260
Income tax expense									<u>(78,777)</u>
Profit for the period									<u>486,325</u>
Depreciation and amortisation	<u>(176,034)</u>	<u>(161,303)</u>	<u>(1,253)</u>	<u>(32,072)</u>	<u>(31,169)</u>	<u>(9,069)</u>	<u>(6,527)</u>	<u>(12,978)</u>	<u>(430,405)</u>

The segment assets and liabilities as at 30 June 2020 are as follows:

	Unaudited												
	As at 30 June 2020												
	Yarns					Garment fabrics and Garments			Grey fabrics		Non-woven fabric		Total
	China	Southeast	Americas	Others	Sub-total	China	Southeast	Americas	China	Southeast	China	Southeast	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Total segment assets	10,170,553	4,661,220	481,201	440,320	15,753,294	2,750,561	1,076,768	525,213	205,502	353,776	2,577	521,763	21,189,454
Unallocated assets													1,838,971
Total assets of the Group													23,028,425
Total segment liabilities					(7,039,122)	(747,926)	(422,575)	(317,022)	(59,217)	(260,832)	—	(314,015)	(9,160,709)
Unallocated liabilities													(5,907,603)
Total liabilities of the Group													(15,068,312)
Addition to non-current assets	41,307	5,333	26,221	13,293	86,154	36,662	12,544	27,385	434	—	—	92,294	255,473

The segment assets and liabilities as at 31 December 2019 are restated as follows:

	Audited (Restated)										
	As at 31 December 2019										
	Yarns					Garment fabrics and Garments			Grey fabrics		
	Southeast					Southeast			Southeast		
	China	Asia	Americas	Others	Sub-total	China	Asia	Americas	China	Asia	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	9,480,505	4,535,545	387,345	379,097	14,782,492	3,602,748	790,260	532,858	331,183	786,312	20,825,853
Unallocated assets											348,808
Total assets of the Group											21,174,661
Total segment liabilities					(5,584,845)	(690,417)	(426,182)	(283,146)	(26,254)	(358,896)	(7,369,740)
Unallocated liabilities											(5,705,546)
Total liabilities of the Group											(13,075,286)
Addition to non-current assets	722,080	130,970	420,069	165,508	1,438,627	59,901	180,138	115,234	10,562	296,856	2,101,318

3. OTHER INCOME AND OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Other income		
Subsidy income (a)	91,908	70,300
Other gains		
Derivative financial instruments at fair value through profit or loss:		
— Realised gains/(losses)	49,848	(58,130)
— Unrealised profits	62,843	28,475
Net foreign exchange gains/(losses)	20,300	(14,130)
Gains on acquisition of subsidiaries	—	209,019
Others	4,008	5,037
Total other gains	136,999	170,271

- (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 subsidy income in the same period and there was no future obligation related to the subsidy income.

4. EXPENSES BY NATURE

The following expenses items have been included in cost of sales, selling and distribution costs and general and administrative expenses in the condensed consolidated income statement.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of inventories	5,152,345	6,834,196
Employment benefit expenses	1,172,242	1,290,163
Utilities	576,063	599,362
Depreciation and amortisation	497,728	430,405
Transportation	211,398	240,024

5. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest expenses		
— borrowings	216,338	220,409
— lease liabilities	3,851	3,155
	220,189	223,564
Net exchange losses on financing activities	129,032	30,778
	349,221	254,342
Finance costs		
Finance income — interest income on bank deposits	(25,650)	(17,781)
Net finance costs	323,571	236,561

6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax on profits for the period	32,435	84,179
Deferred income tax	(28,309)	(5,402)
	4,126	78,777

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (2019: 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% (2019: 25%).

As approved by the relevant tax bureau in Mainland China, three subsidiaries established in Jiangsu, one subsidiary established in Xinjiang and two subsidiaries established in Guangdong respectively are entitled to a preferential tax rate of 15% during the period (2019: four subsidiaries established in Jiangsu, one subsidiary established in Xinjiang and two subsidiaries established in Guangdong respectively are entitled to a preferential tax rate of 15%).

(iii) Vietnam income tax

The income tax for the major subsidiaries in Vietnam are as below:

As approved by the relevant tax bureau in Vietnam, Texhong Renze Textile Joint Stock Company established in Vietnam in 2006 should separately calculate income tax on its initial 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% (2019: 20%). The second supplementary investment of the subsidiary is entitled to two years' exemption from income taxes followed by four years of a 50% tax reduction based on the income tax rate of 20% (2019: 20%).

As approved by the relevant tax bureau in Vietnam, other subsidiaries established in Vietnam are entitled to four years' exemption for 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.

The applicable tax rates for all subsidiaries in Vietnam range from nil to 20% during the period (2019: nil to 20%).

(iv) Other income or profits tax

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

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

The Company's subsidiary established in Macao is subject to income tax rate of 12% (2019: 12%). No provision for Macao profits tax has been made as the Group had no assessable profit arising in or derived from Macao during the period (2019: nil).

The Company's subsidiary established in Uruguay is subject to income tax rate of 25% (2019: 25%). No provision for Uruguay profits tax has been made as the Group had no assessable profit arising in or derived from Uruguay during the period (2019: nil).

The Company's subsidiary established in Turkey is subject to income tax at the rate of 22% (2019: 22%). No provision for Turkey profits tax has been made as the Group had no assessable profit arising in or derived from Turkey during the period (2019: nil).

The Company's subsidiary acquired in Cambodia in 2017 is subject to income tax at the rate of 20% (2019: 20%). No provision for Cambodia profits tax has been made as the Group had no assessable profit arising in or derived from Cambodia during the period (2019: nil).

The Company's subsidiaries in Nicaragua acquired and established in 2017 and 2018 respectively are subject to income tax at the rate of 30% (2019: 30%). As approved by relevant tax bureau in Nicaragua, the subsidiary is entitled to exemption from profits tax during the period (2019: exempted).

The Company's subsidiaries acquired in Samoa in 2017 are exempted from profits tax during the period (2019: exempted).

The Company's subsidiaries acquired in the United States in 2018 are subject to income tax rate within the range from 27.5% to 30% (2019: 27.5% to 30%).

The Company's subsidiaries established in Mexico in 2018 and 2019 are subject to income tax at the rate of 30% (2019: 30%).

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	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	<u>10,475</u>	<u>471,042</u>
Weighted average number of ordinary shares in issue (thousands)	<u>915,000</u>	<u>915,000</u>
Basic earnings per share (RMB per share)	<u>0.01</u>	<u>0.51</u>

(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	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	<u>10,475</u>	<u>471,042</u>
Weighted average number of ordinary shares in issue (thousands)	915,000	915,000
Adjustments for:		
— Share options (thousands)	<u>244</u>	<u>3,969</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>915,244</u>	<u>918,969</u>
Diluted earnings per share (RMB per share)	<u>0.01</u>	<u>0.51</u>

8. DIVIDENDS

A final dividend of RMB125,364,000 that is related to the year ended 31 December 2019 was paid in June 2020 (2019: RMB158,936,000).

In addition, no interim dividend (2019: HKD0.18 per share) was proposed by the board of directors on 21 August 2020.

9. INVENTORIES

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Raw materials	2,800,744	3,189,503
Work-in-progress	448,333	481,381
Finished goods	1,998,018	1,429,206
	5,247,095	5,100,090

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Trade receivables	630,207	817,743
Less: provision for impairment	(11,921)	(10,226)
	618,286	807,517
Bills receivable	610,371	727,156
	1,228,657	1,534,673

As at 30 June 2020, included in the trade receivables were amount due from related parties of RMB195,000 (31 December 2019: nil).

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

The Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries and regions. The ageing analysis of the trade and bills receivables (including amounts due from related parties of trading in nature) by invoice date is as follows:

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Within 30 days	822,326	1,050,742
31 to 90 days	263,941	399,113
91 to 180 days	124,810	75,479
181 days to 1 year	20,897	9,694
Over 1 year	8,604	9,871
	<u>1,240,578</u>	<u>1,544,899</u>
Less: provision for impairment	(11,921)	(10,226)
	<u>1,228,657</u>	<u>1,534,673</u>
Trade and bills receivables — net		

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Trade payables	681,628	811,591
Bills payable	2,814,210	2,224,277
	<u>3,495,838</u>	<u>3,035,868</u>

As at 30 June 2020, included in the trade payables were amounts due to related parties of RMB14,101,000 (31 December 2019: RMB13,975,000).

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

The ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) is as follows:

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Within 90 days	2,519,426	2,235,897
91 to 180 days	875,984	781,214
181 days to 1 year	76,300	11,600
Over 1 year	24,128	7,157
	<u>3,495,838</u>	<u>3,035,868</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Assets:		
Forward foreign exchange contracts (<i>Note (a)</i>)	231,233	187,736
Cross currency swap contracts (<i>Note (b)</i>)	141,467	87,942
Cotton future contracts (<i>Note (c)</i>)	74	11,757
	<u>372,774</u>	<u>287,435</u>
Liabilities:		
Forward foreign exchange contracts (<i>Note (a)</i>)	23,650	22,010
Cotton option contracts (<i>Note (d)</i>)	18,492	—
Cotton future contracts (<i>Note (c)</i>)	6,853	—
Cross currency swap contracts (<i>Note (b)</i>)	5,419	7,520
	<u>54,414</u>	<u>29,530</u>

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

Notes:

- (a) The forward foreign exchange contracts as at 30 June 2020 comprised thirteen contracts with notional principal amounts totalling RMB4,060,801,000 (31 December 2019: nineteen contracts with notional principal amounts totalling RMB4,756,373,000).
- (b) The cross currency swap contracts as at 30 June 2020 comprised forty-six contracts with notional principal amounts totalling RMB8,880,759,000 (31 December 2019: fifty-one contracts with notional principal amounts totalling RMB9,658,644,000).
- (c) The cotton future contracts as at 30 June 2020 comprised one contract with notional principal amounts totalling USD14,124,000 (31 December 2019: five contracts with notional principal amounts totalling USD35,583,000).
- (d) The cotton option contracts as at 30 June 2020 comprised four contracts with notional principal amount of USD68,254,000 (31 December 2019: nil).

OVERVIEW

The Group is pleased to present the unaudited consolidated financial results of the Group for the six months ended 30 June 2020 (the “Review Period”) to the shareholders of the Company (the “Shareholders”). Due to the global spread of COVID-19 during the Review Period, customers generally requested delays in shipments and reduction of purchase orders, which resulted in a decrease in the revenue of the Group of approximately 19.4% to approximately RMB8,214 million, compared with the corresponding period last year. Profit attributable to equity holders for the Review Period fell to the break-even level, amounting only to RMB10.48 million. Earnings per share also decreased from RMB0.51 for the corresponding period last year to RMB0.01. The decrease in profit attributable to equity holders was primarily attributable to the substantial decline in revenue, and due to sluggish market demand, the Group had to realign the product mix to maintain the utilization rate and sales volume during the Review Period, which inevitably affected the profit level. In particular, the gross profit margin of yarns dropped from approximately 14.1% for the corresponding period last year to approximately 10.6% during the Review Period, directly affecting the Group’s net profit.

INDUSTRY REVIEW

According to the statistics from the National Bureau of Statistics of the PRC, between January and June 2020, enterprises with a sizeable capacity in the textile industry recorded an aggregate revenue of RMB966.94 billion from their principal activities, representing a year-on-year decrease of 15.6%. Total profit for the industry amounted to RMB40.21 billion, representing a year-on-year decrease of 5.6%. From January to June 2020, fixed asset investments in the textile industry in the PRC amounted to RMB243.7 billion, representing a year-on-year decrease of 22.4%.

According to the statistics from the General Administration of Customs of the PRC, between January and June 2020, the aggregate export of textiles and garments was US\$125.188 billion, representing an increase of 3.16%. Among these exports, US\$74.103 billion was attributable to textiles and US\$51.084 billion to garments, representing an increase of 27.8% and a decrease of 19.4% respectively. With respect to production volume, between January and June 2020, yarns, fabrics and synthetic fibre production amounted to 11.457 million tonnes, 16.93 billion metres and 28.105 million tonnes respectively, representing a year-on-year decrease of 15.8%, decrease of 25.9% and decrease of 1.0% respectively.

According to the statistics from Vietnam Customs, between January and June 2020, the export volume of yarns and staple fibre manufactured in Vietnam decreased by 8.1% to 731,000 tonnes, representing a decrease of 20.7% in revenue to US\$1.610 billion, while the revenue of garments exports decreased by 12.7% to US\$13.182 billion.

BUSINESS REVIEW

Currently, the Group's revenue is mainly derived from sales of yarns, the percentage of which as of the Group's total revenue will decrease following the development of the midstream and downstream business segments. During the Review Period, revenue from sales of yarns decreased by approximately 19.3% to approximately RMB6,239 million, and its percentage of the total revenue of the Group was approximately 75.9%. As for the midstream and downstream business segments, which are mainly driven by woven garment fabrics, with simultaneous development of kitted garment fabrics and garment manufacturing businesses, the revenue from these business segments has declined to varying degrees as a result of lower market demand resulting from COVID-19 epidemic during the Review Period. However, the positive impact of the completion of acquisition and the internal reorganization of midstream and downstream businesses that were conducted last year has led to an improvement in the profitability of such business segments even at critical times during the Review Period, which has provided strong support to the Group for its continuous expansion.

Yarn operation

During the Review Period, the Group's sales volume of yarns amounted to approximately 303,000 tonnes, representing a decrease of 9.77% as compared with the corresponding period last year. During the Review Period, due to the COVID-19 epidemic which had impacts similar to those brought about by the Sino-US trade war last year, the Group had to realign its product mix to accommodate market demands and therefore we were unable to implement the original production plan with the ideal product mix. This has not only affected the sales volume of yarn, but also affected the profit level. In particular, we had to produce and sell simple yarns to maintain the capacity utilization rate, which resulted in a significant drop in the gross profit margin of other yarns. During the Review Period, the average gross profit margin of yarns was 10.6%, down by 3.5 percentage points as compared with that of last year.

Grey fabrics operation

During the Review Period, the Group's sales volume of grey fabrics amounted to approximately 26.30 million metres, representing a decrease of approximately 29.9% as compared with the corresponding period last year. The decrease in sales volume was mainly attributable to the COVID-19 epidemic and the once-again increase in the usage of grey fabrics for production of our garment fabrics as compared with that for the corresponding period last year. As the COVID-19 epidemic affected the demand and price of grey fabrics, the gross profit margin also decreased from approximately 15.3% for the corresponding period last year to approximately 8.8% during the Review Period.

Woven fabrics operation

During the Review Period, the sales volume of self-produced and trading woven fabrics amounted to approximately 42.10 million metres and 14.07 million metres respectively. The sales revenue of woven fabrics amounted to approximately RMB1.11 billion, representing a decrease of approximately 8.3% as compared with the corresponding period last year. The gross profit margin of woven fabrics increased to 17.1% for the Review Period as compared with 13.1% for the corresponding period last year, which was mainly driven by the business with higher gross profit margin which was acquired last year. Under the impact of the epidemic, notwithstanding the decrease in sales volume, there was no significant impact on the gross profit margin, given its development of premium garment fabrics and strong vertically integrated production capacity. In terms of stability, this has significantly outperformed other business segments of the Group.

Knitted fabrics operation

The knitted fabrics business has entered a stage of steady improvement after the internal reorganization of the management team in the second half of 2019. The sales volume of knitted fabrics were affected by the epidemic, and sales revenue amounted to approximately RMB329 million during the Review Period, representing a decrease of 18.0% as compared with the corresponding period last year, while the gross profit margin increased from approximately 10.8% for the corresponding period last year to 12.0%.

Jeanswear operation

The jeanswear business also showed steady improvement after the reform in the second half of last year. The production and sales volumes were affected by the closure of the factory in Cambodia as well as the COVID-19 epidemic during the Review Period. The revenue of the jeans-wear business decreased by 36.3% to RMB326 million as compared with that for the corresponding period last year. Driven by better selling prices and gross profit margin of products from the factory in Vietnam, the gross profit margin rose from 7.1% for the corresponding period last year to approximately 10.6% during the Review Period. The Board expected that there is room for further improvement in product development and production efficiency, thereby improving profitability of the jeans-wear business.

Non-woven fabrics operation

In the first quarter of 2020, the first production line of the non-woven fabric business commenced trial operation. During the Review Period, revenue from sales of non-woven fabrics amounted to approximately RMB15.67 million. As it was at the stage of trial operation in the first half of the year, the capacity utilization rate was low and the gross profit margin was unsatisfactory. Since the second quarter, with the increase in customer orders, which increased the utilization rate, and the gross profit margin has rebounded to a positive level.

The operating data of the Group's products is set out below:

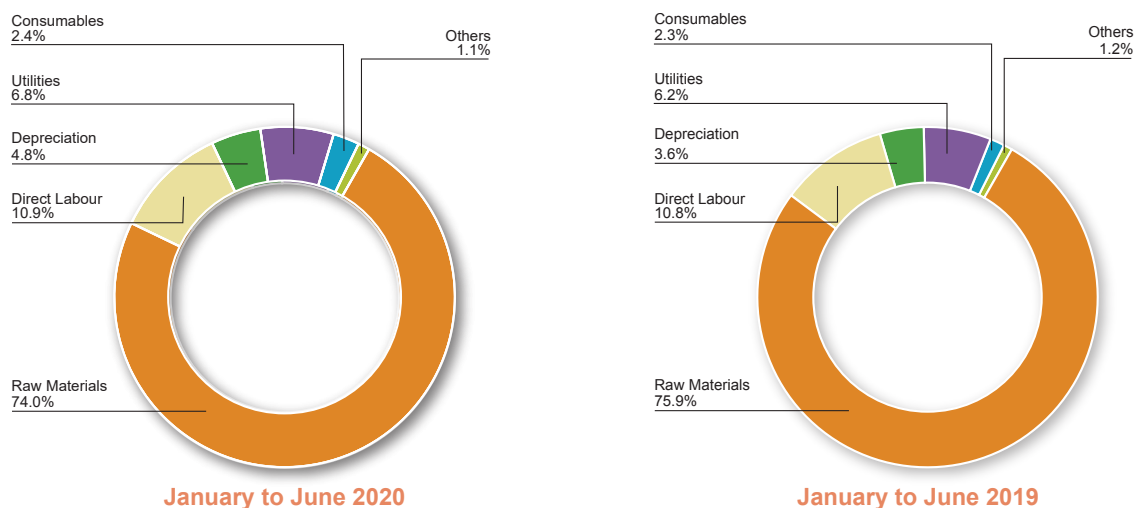
	Revenue from January to June 2020 RMB'000	Revenue from January to June 2019 RMB'000	Revenue change
Stretchable core-spun yarns	2,632,412	3,885,272	-32.2%
Other yarns	3,606,228	3,844,737	-6.2%
Stretchable grey fabrics	134,739	277,274	-51.4%
Other grey fabrics	63,330	63,723	-0.6%
Woven garment fabrics	1,106,915	1,207,246	-8.3%
Knitted garment fabrics	329,478	401,947	-18.0%
Jeans	325,664	511,267	-36.3%
Non-woven fabrics	15,670	—	—
Total	8,214,436	10,191,466	-19.4%

	Sales volume		Selling price		Gross profit margin	
	January to June 2020	January to June 2019	January to June 2020	January to June 2019	January to June 2020	January to June 2019
Stretchable core-spun yarns (Tonne/RMB per tonne)	121,547	163,617	21,658	23,746	15.2%	14.8%
Other yarns (Tonne/RMB per tonne)	181,018	171,717	19,922	22,390	7.2%	13.4%
Stretchable grey fabrics (Million metres/RMB per metre)	15.6	29.3	8.6	9.5	10.2%	15.0%
Other grey fabrics (Million metres/RMB per metre)	10.7	8.2	5.9	7.8	5.9%	16.9%
Woven garment fabrics (Million metres/RMB per metre)	56.2	63.0	19.7	19.2	17.1%	13.1%
Knitted Garment fabrics (Tonne/RMB per tonne)	6,956	8,376	47,366	47,988	12.0%	10.8%
Jeans (Million pairs/RMB per pair)	5.0	9.1	65.1	56.2	10.6%	7.1%
Non-woven fabrics (Tonne/RMB per tonne)	862	—	18,179	—	-20.7%	—

The overall gross profit margin of the Group decreased from 13.5% for the six months ended 30 June 2019 to 11.4% for the six months ended 30 June 2020. The decrease of gross profit margin was mainly due to the decrease of the gross profit margin of the yarn business.

The cost of sales of the Group decreased by 17.4% to RMB7.28 billion when compared with the corresponding period last year mainly due to the decrease in sales of yarns and garments fabrics. The cost of raw materials accounted for about 74.0% of the total cost of sales for the six months ended 30 June 2020.

The breakdown of the Group's cost of sales for the six months ended 30 June 2020 as compared with the cost of sales for the six months ended 30 June 2019 is shown below:



The Group will continue to implement its established corporate strategies, optimise its existing product mix and develop new products that address market trends and needs. In addition, the Group will also enhance the level of vertical integration among the various business segments, promote diversified business development and further improve its financial performance.

The Group has continued to strengthen cooperation with world-renowned synthetic manufacturers of fibres and has built a longstanding strategic partnership with these manufacturers, in order to use innovative fibre technologies to produce trendy functional yarns to tap the differentiated high-end market. In addition, in response to market demand, the Group's research and development centre of yarns, garment fabrics and garment products have been raising product quality and continue to develop new products in order to maintain its leading position in the textile industry, as well as satisfying customers' demand for diversified and high-end products.

The Chinese textile market has been the major market for the Group, accounting for 69.0% of total sales for the six months ended 30 June 2020. With the Group's development of midstream and downstream businesses around the world, the percentage of Group's overseas sales will experience gradual growth. The ten largest customers of the Group for the six months ended 30 June 2020 accounted for 13.6% of the total revenue.

PROSPECTS

As at 30 June 2020, the Group had an aggregate of approximately 2.51 million spindles and 1.60 million spindles located inside and outside of China (mainly located in Vietnam), respectively. Due to the effect of the global epidemic, it is estimated that the market demand for textile products will remain unstable in the second half of 2020 even if the current market demand has stabilized and improved. In the absence of a significant rebound in market demand, the overall revenue of the Group in 2020 may drop by about 20% as compared to 2019.

In response to uncertainties brought by the tension escalation between China and U.S. and other European countries, the Group will persist in the development of internationalisation and vertical integration. Yarn production facilities to be constructed outside China will directly cater for the overseas market. Fabrics facilities integrated with the production processes of spinning, weaving and dyeing will be completed in Vietnam and Nicaragua. These initiatives will effectively mitigate or avert the impact brought by the trade friction between countries, while vertically integrated production of fabrics, or even including garment production, will uplift the overall profit margin and further stabilise profitability, diminishing the impact from the pricing fluctuation of the raw materials. Furthermore, the Group will increase use of synthetic fibers commensurate with the growing market demand, while the safety inventory level for synthetic fibers is lower, thereby reducing the impact brought by the pricing fluctuation of raw materials on the overall profitability of the Group. Starting from the second half of 2020, the Group will also focus on expanding the production capacity of knitted fabrics in Vietnam, and make every effort to promote the production and sales of woven fabrics in Vietnam and Nicaragua to make full use of its increased production capacity.

On 27 July 2020, the Group was again named among the “Fortune 500 Chinese Companies 2020”, a strong endorsement of its continuous business expansion and proven business model. The Group will continue to work tirelessly, putting forth its best effort, to bring long term and sustainable returns to the Shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2020, the Group’s bank and cash balances (including pledged bank deposits) amounted to RMB4,118 million (as at 31 December 2019: RMB1,852 million). The increase in bank and cash balances was mainly attributable to the various measures adopted by the Group against the adverse impact of the COVID-19 epidemic to maintain its cash level beyond its actual daily needs and ensure sufficient and stable cash flow.

As at 30 June 2020, the Group's inventories increased by RMB147.0 million to RMB5,247.1 million (as at 31 December 2019: RMB5,100.1 million), and trade and bills receivables decreased by RMB306.0 million to RMB1,228.7 million (as at 31 December 2019: RMB1,534.7 million). The inventory turnover days and trade and bills receivables turnover days were 128 days and 30 days for the Review Period respectively, as compared to 98 days and 27 days for the year ended 31 December 2019 respectively. The increase in inventory turnover days was mainly due to the decline in cost of sales and revenue, as affected by the COVID-19 epidemic. The trade and bills receivables turnover days was slightly higher than that of last year, which was mainly due to a slower collection of receivables from certain overseas customers, as affected by the COVID-19 epidemic. As at 30 June 2020, the trade and bills payables of the Group increased to RMB3,495.8 million (as at 31 December 2019: RMB3,035.9 million), which was mainly due to the reduction of advance settlement of bills payables of the Group.

As at 30 June 2020, the Group's borrowings increased by RMB1,750.3 million to RMB10,034.9 million (as at 31 December 2019: RMB8,284.6 million), which were mainly due to the increase in bank financing as the Group maintained funds beyond its actual daily needs so as to avoid the uncertain impact of the COVID-19 epidemic on its operations.

As at 30 June 2020 and 31 December 2019, the Group's key financial ratios were as follows:

	As at 30 June 2020	As at 31 December 2019
Current ratio	1.20	1.29
Debt to equity ratio ¹	1.36	1.11
Net debt to equity ratio ²	0.80	0.86

¹ Based on total borrowings over total equity attributable to shareholders

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

The debt to equity ratio slightly increased from 1.11 as at 31 December 2019 to 1.36 as at 30 June 2020, such increase was a result of an increase of borrowings from RMB8,284.6 million as at 31 December 2019 to RMB10,034.9 million as at 30 June 2020.

The current ratio and the net debt to equity ratio remained relatively stable as at 31 December 2019 and 30 June 2020, respectively.

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, US dollar and Hong Kong 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 bank 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 depreciation risk of RMB, the Group has purchased a suitable amount of currency option contracts and currency swap contracts so that the currency exposure is hedged against.

Capital expenditure and significant acquisition or investment

For the six months ended 30 June 2020, the capital expenditure of the Group amounted to approximately RMB255 million (for the six months ended 30 June 2019: RMB1,122 million), which was mainly related to the production capacity of yarns, fabrics and non-woven fabrics under construction in the PRC, Vietnam, Americas and Turkey during the Review Period. Except for this, the Group had no other significant investments or material acquisitions and disposals of subsidiaries and associated companies.

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 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 a 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 2016 Facility Agreement.

Pledge of assets

As at 30 June 2020, the Group's machineries and equipment with a net book amount of RMB657.4 million (as at 31 December 2019: RMB709.5 million), inventories with a total amount of RMB42.94 million (as at 31 December 2019: RMB66.58 million) and bank deposits with a net book amount of RMB4.30 million (as at 31 December 2019: RMB8.00 million) were pledged to secure for bank borrowings for the purposes of the capital expenditure and working capital respectively.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities (as at 31 December 2019: nil).

Human resources

As at 30 June 2020, the Group had a total workforce of 38,112 employees (as at 31 December 2019: 41,108 employees), of whom 20,200 employees were based in the regional headquarters in Shanghai and our manufacturing plants in Mainland China. The remaining 17,912 employees were stationed in regions outside of Mainland China including Vietnam, Cambodia, Turkey, Nicaragua, North America, Hong Kong and Macao. The Group will continuously optimize the workforce structure and offer its staff with competitive remuneration packages. 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, stable dividend payout ratio of about 30% of the Group's net profit for the year attributable to the owners of the Company, providing our Shareholders with reasonable returns. During the Review Period, the Group's performance was seriously affected by the outbreak of the COVID-19 epidemic, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

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

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 2020.

CORPORATE GOVERNANCE

The Group is 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 2020.

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, 21 August 2020

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